THE WHITE HOUSE

WASHINGTON

95 APR 13 P1:58

April 13, 1995

RECOMMENDED TELEPHONE CALL

THE PRESIDENT HAS SEEN 4/14

TO: Governor Ben Nelson (D-NE)
O: 402-471-2244
H: 402-471-3466

DATE: As soon as possible.

RECOMMENDED BY: Doug Sosnik and Linda Moore, Political Affairs

PURPOSE: To encourage him to run for the U.S. Senate in 1996.

BACKGROUND: As you know, Senator Jim Exon (D-NE) is retiring. Democrats in the state are very anxious to see Governor Nelson be the Party's standard bearer in the race to succeed him. Nelson, re-elected in 1994 with 74% of the vote, is clearly the strongest candidate the Democrats could run and if he does make the race he will clear the field.

Nelson has not ruled out the race, though he has publicly taken the position that he is leaning against running. During his 1994 campaign, he pledged that he would serve out his term if re-elected. And although by most accounts Nelson would like to be a U.S. Senator, he is also reported to believe that Senator Bob Kerrey (D-NE) will not seek re-election in 2000 and he has been gearing his timetable towards a run then.

At the same time, he appears to be softening to the idea of running. It was apparent at last weekend's Nebraska Democratic Convention that virtually everyone in attendance wants Nelson to run and it may have had an impact. Former Kerrey aide Bill Hoppner, who had been eager to make the race, announced on Monday that he would not run, claiming that the state and national Democratic organization was in lockstep behind Nelson. (See attached clip.) Kerrey met with Nelson over the weekend and had a serious conversation about the race, during which Nelson asked substantive questions indicating that he was thinking seriously about running.

In comments on Monday, Nelson said he was considering a variety of factors to determine whether to make the race, including his campaign pledge to serve out his full term and whether he could best serve Nebraska in the statehouse or in the Senate.

On the Republican side, businessman Chuck Hagel announced his candidacy last week and Attorney General Don Stenberg (R) filed papers with the FEC. 1994 Senate nominee Jan Stoney (R) and Rep. Doug Bereuter (R) are also mentioned. Nelson has referred to the idea of the archconservative Stenberg serving in the Senate as "scary."

TOPICS OF DISCUSSION:

You may wish to express your confidence that he would make an excellent U.S. Senator. You could note that America could use a few more governors in the U.S. Senate, people who understand the problems people face at the state level and who are capable of tackling them with innovative solutions.

As the most popular politician in Nebraska, he would certainly be an extremely formidable candidate against any Republican who might run.

If Nelson does not run, there is a strong chance that this seat will fall into Republican hands. Nelson is surely aware of this. You may wish to gently reinforce that point.

If Nelson decides to run, this race will be a top priority for the Party and he can count on the DNC and the DSCC to pull out all of the stops to help him win.

DATE OF SUBMISSION: April 13, 1995

ACTION: ______________________________

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( ) Scottsbluff Star Herald
( ) Chadron Record
( ) McCook Daily Gazette
( ) Sidney Telegraph
( ) Alliance Times Herald
( ) Kimball Western Observer
( ) Scottsbluff Business Farmer
( ) Valentine Mid-land News

JJE
BK

Hoppner clears way as Nelson weighs run

LINCOLN (AP) — Democrat Bill Hoppner said Monday that he won't seek the nomination for the U.S. Senate because the party's power structure has made clear that it wants Gov. Ben Nelson for the job.

Hoppner said U.S. Sen. Bob Kerrey, for whom Hoppner once was a top aide, has lined up in Nelson's camp. Hoppner said he is sure Nelson will run.

BEN NELSON

"I believe I had a chance to beat Ben Nelson," said Hoppner, who lost the 1990 Democratic nomination to Nelson by 42 votes. "But I can't beat Ben Nelson and Bob Kerrey and the Democratic Senatorial Campaign Committee."

Kerrey heads the committee.

BOB KERREY

Nelson said Monday he was weighing a variety of factors in considering the Senate race. "I'm no where near that kind of decision," he said.

However, Nelson said he was pondering whether he could best serve Nebraska and the country in the statehouse or in the Senate. He also said he was aware of his previous commitment to serve his full second term as governor.

Several Republicans are interested in the chance to seek the Senate seat being vacated by retiring U.S. Sen. Jim Exon, D-Neb., who served three terms.

Hoppner said Nelson was going through a scenario that would culminate in the governor's primary candidacy.

"I am not going to participate in the deception here that the die isn't already cast," Hoppner said in an interview. "The die is cast. Ben Nelson is going to run and the party institutional support is there for him."

Hoppner noted Kerrey's statements over the weekend that he believed the governor would be the strongest Senate candidate the Democrats could field. Nelson also was courted by Senate Minority Leader Tom Daschle of South Dakota.

(✓)Scottsbluff Star Herald
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( )McCook Daily Gazette
( )Sidney Telegraph
( )Alliance Times Herald
( )Kimball Western Observer
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THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN 4/14

95 APR 13 P8:55

10 April 1995

Treasury — I need a decision [illegible] [illegible] [illegible]

MEMORANDUM TO THE PRESIDENT

CC: LEON PANETTA

FROM: Harold Ickes

SUBJECT: Extending the export tax benefit under the Foreign Sales Corporation Rule to computer software licensed abroad with a right of reproduction.

Attached, as you requested, is a 4 January 1995 confidential memorandum to me from Norm Richter, then of the Treasury Office of Tax Policy, regarding software industry's request to extend export tax benefits under Foreign Sales Corporation ("FSC") rules to computer software.

Also attached is a 13 September 1994 memorandum from Tom Kalil, of the National Economic Council, to Bob Rubin, et al., regarding application of FSC rules to computer software.

As explained to me, under the current Treasury Department's regulations, the tax benefit of the FSC rule apply only to shrink-wrapped software sold to a foreign buyer without a right of reproduction. The tax break for such exports effectively allows up to a five percent point reduction in the tax rate on profits from U. S. exports. This FSC tax benefit does not apply to software licensed abroad with a right of reproduction.

Those in the software industry who sell or license software abroad with a right of reproduction are pressing very hard to have the Treasury Department revise its regulations so as to permit this five percent FSC tax benefit apply to software licensed abroad with a right of reproduction. Among others, Larry Ellison, the President of Oracle, James A. Abrahmson, COB of Oracle and Richard Warren Brown of Microsoft, have pressed this case. Based on my conversations with Treasury, it is Treasury's view that the FSC statute does not permit Treasury to issue regulations extending the FSC tax benefit to software licensed abroad with a right of reproduction. It is Treasury position that while they could issue such regulations, they would probably be subject to challenge, and, therefore, Treasury very much prefers Congress to take action in this regard. Treasury's position is set forth in the attached 4 January 1995 confidential memorandum to me from Norm Richter.

By contrast, it appears that Tom Kalil, who is with the National Economic Council, is of the opinion that although a close call, Treasury does have the authority to expand the FSC tax credit to this new area without new legislation.

Let's discuss at your convenience.

Oracle

DEPARTMENT OF THE TREASURY
WASHINGTON

Jan. 4 1995

HAROLD ICKES —

WHILE WE DID NOT GIVE THE SOFTWARE INDUSTRY THE RELIEF IT SOUGHT UNDER THE FSC RULES (AS EXPLAINED IN THE ATTACHED MEMO), YOU MAY WANT TO NOTE THAT, IN THE TAX AREA, TREASURY DID A COUPLE OF THINGS BY REGULATION THIS YEAR FAVORABLE TO THE INDUSTRY:

1. EXPANDED THE DEFINITION OF "RESEARCH" FOR PURPOSES OF THE R+D DEDUCTION AND CREDIT;

AND

2. GREATLY LIBERALIZED THE TAX RULES RELATING TO EMPLOYEE STOCK OWNERSHIP (A FAVORED DEVICE OF SOFTWARE COMPANIES)

— NORM RICHTER

DETERMINED TO BE AN ADMINISTRATIVE MARKING INITIALS: MI DATE: 10/31/18
2018-0662-S

DEPARTMENT OF THE TREASURY
WASHINGTON

~~Confidential~~
January 4, 1995

MEMORANDUM FOR HAROLD ICKES

FROM: **Norm Richter**
Treasury Office of Tax Policy

SUBJECT: **Software Industry's Request to Extend Export Tax Benefits Under Foreign Sales Corporation Rules To Computer Software**

SUMMARY: This memorandum provides you with background for your meeting with representatives of the software industry. The industry objects to Treasury's decision to decline to alter its regulations to extend the tax benefits of the Foreign Sales Corporation (FSC) rules to software licensed abroad with a right of reproduction. The FSC rules represent a tax incentive for exports that effectively allows up to a 5 percentage point reduction in the tax rate on profits from U.S. exports. The FSC benefit currently is available only to exports of shrink-wrapped software sold to the buyer without a right of reproduction. The industry would prefer that Treasury extend the tax benefit by regulations -- requiring no budgetary offset -- rather than have to seek a legislative change -- which would require a budgetary offset for the revenue loss (about $200 million over the 5-year budget period).

BACKGROUND:

Letters received by Treasury. During 1994, Treasury received letters from the following, requesting that the Treasury provide, by regulation, FSC tax benefits to foreign licenses of computer software with a right of reproduction: (1) 24 members of the Ways and Means Committee; (2) 10 members of the Senate Finance Committee; (3) Senator Diane Feinstein; (4) 36 members of the California Congressional delegation (out of 54); (5) 10 members of the Washington Congressional delegation (out of 11); (6) members of the New York Congressional delegation, including Senator Moynihan; and (7) Secretary Ron Brown. Mr. Rostenkowski also wrote to ask for our view of the extent of Treasury's regulatory authority, and our view of the "merits and necessity" of the legislative proposal (he took no position on the issue himself). Attached is a copy of Secretary Bentsen's response.

In General. The Foreign Sales Corporation rules were enacted in 1984 to provide an export incentive for U.S. corporations. The effect of the rules generally is a 5 percentage point reduction in the corporate tax rate for eligible income.

The FSC benefit is available only for an export transaction involving "export property," which is defined to exclude most intangible property, including copyrights, such as computer software. This exclusion was consistent with the purpose of the FSC rules to encourage the export of products that had been manufactured or otherwise produced in the U.S. In contrast, the overseas license of an intangible asset such as a patent or copyright generally involves production of the underlying product overseas.

Complicating matters, however, the Code allows exports of "films, tapes, records and similar reproductions" to enjoy FSC benefits. The computer software industry has long argued that if film, tapes and records are eligible for FSC benefits, then computer software should be also eligible. The legislative history makes no reference to software (not surprising since the statutes pre-date the significant growth of the software export industry). Therefore, there is no basis for believing that the Congress intended to include software within the FSC provision.

Previous Treasury Action: 1987 Regulations. The Treasury has already interpreted the statutory language in regulations. Under temporary Treasury regulations issued in 1987, a copyrighted article, such as shrink-wrapped computer software sold without right of reproduction, is export property entitled to FSC benefits. Thus, the computer industry already is granted FSC benefits for its "off the shelf" software (i.e., software mass-produced in the U.S. for export).

The industry, however, seeks to have the benefit also extend to licenses of software for reproduction abroad. (In this case, unlike the "off the shelf" software, the process of packaging the software presumably is performed by foreign workers.) The distinction made in the 1987 regulations between exports of shrink-wrapped software and licenses of software was based on the notion that the former was analogous to the sale of goods (thus qualified for FSC benefits) while the latter was a transaction in an intangible asset (thus excluded from FSC benefits).

Revenue Effect. In November 1993, Joint Tax estimated that the cost of providing FSC benefits to software exports with right of reproduction would be about $200 million over 5 years. (I do not believe this estimate was ever made public.) The Treasury estimators agree with this estimate.

DISCUSSION:

Should Treasury Provide Regulatory Relief As Requested? As the industry has pointed out, there are arguments that might justify providing regulatory relief: (1) The Treasury arguably has regulatory authority to extend FSC benefits to software licenses on the ground that these are "similar reproductions" to films, tapes and records. It is difficult to make a relevant distinction between films, records and tapes, and software. Technological developments have made the distinction increasingly less clear. (2) The 1987 Treasury regulations were temporary regulations, and final regulations often differ from the temporary regulations they replace, to reflect the experience with the temporary regulations. (3) The legislative history provides no guidance either way.

However, Treasury interpreted its regulatory authority narrowly in 1987, extending FSC benefits only to shrink-wrapped software sold without right of reproduction, because those transactions seemed more like sales than overseas licenses did. Nothing has occurred since 1987 that can be said, from a policy perspective, to decisively alter that conclusion. Moreover, an administrative extension of the FSC benefits to software licensed with a right of reproduction would seem to run counter to the apparent purpose of the FSC rules, which limit tax benefits to the export of products "manufactured, produced, grown, or extracted in the United States." If FSC benefits were so extended, then it is undeniable that some part of the packaging of software products for sale in foreign markets that is now performed in the United States can be expected to be performed abroad, reproduced from a master disk licensed to a foreign business operation.[1] While a similar point might be made about licenses of films, records, and tapes, the decision to make an exception for those licenses was a legislative one. It would seem appropriate that a decision to expand the scope of the FSC rules to a new category as significant as software licenses similarly should be a legislative decision.

In addition, the FSC statute denies FSC benefits to, in addition to copyrights, the export of intangible assets such as "formulas," "inventions," and "designs." While software has been technically classified as protected by copyright law, it may be seen as analogous to formulas or designs as well. It therefore is not plain that Treasury should treat software like films, tapes and records.

If Regulatory Relief Is Not Provided, Should the Administration Endorse The Legislative Proposal? If a budget offset is provided, the policy reason to extend FSC benefits to software licenses with right of reproduction would be, as noted above, that the statute already extends FSC benefits to films, tapes and records, which are increasingly indistinguishable from software.

However, if the Administration affirmatively endorses a legislative proposal, there is some danger that it may become obliged to help identify a revenue offset for the $200 million loss. It also will make it more difficult to resist other requests for Treasury endorsement of miscellaneous revenue losing tax proposals. To avoid these problems, Secretary Bentsen's response took a "do not oppose" stand with respect to the legislative proposal.

You should note that there also are arguments that may weigh against the legislative

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[1] The software industry asserts that if FSC benefits are not extended to software licensed abroad, then software programming jobs will be shifted abroad. This argument appears to be based on the assumption that software companies can find commensurate tax incentives offered by other countries (as well as lower wages for programmers). In addition, the profits from foreign-developed software generally would not be taxed in the U.S. until repatriated to the U.S. parent company. However, the industry's letters fail to acknowledge the manufacturing jobs that will be lost, or what they believe the net job gain or loss would be.

proposal on the merits. First, the fact that benefits were extended to films, tapes and records should not control the policy question. Those exceptions were almost certainly added as political concessions, and, as noted above, are arguably inconsistent with the intention of the FSC rules to promote the manufacture of products in the United States (and create U.S. jobs).

Second, the U.S. is a world leader in the development and international licensing of software. It can be argued that there is no compelling need for tax incentives to support this industry. We may be rewarding behavior with scarce budgetary resources that would be undertaken without tax incentives.

Attachment

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

MAY 6 1994

SECRETARY OF THE TREASURY

MAY 5 1994

The Honorable Dan Rostenkowski
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515-1305

Dear Dan:

Thank you for your letter concerning the tax treatment of software licensing income earned by Foreign Sales Corporations (FSCs).

As you know, a majority of the members of the Ways and Means Committee has written to request that the Treasury revise its 1987 regulations to extend FSC benefits to the license of software with the right of reproduction. You asked for a status report on the Administration's review of the U.S. export program to which Assistant Secretary Samuels alluded in testimony before the Subcommittee on Select Revenue Measures last year. That review has now been concluded. It made no recommendation to extend FSC benefits to software licenses with a right of reproduction.

You further requested our view of the possibility of Treasury administratively extending FSC benefits by revising its 1987 temporary regulations. As you noted in your letter, there is no evidence that the Congress intended to provide FSC benefits to software licensed abroad. Indeed, what guidance exists in the legislative history of the enactment of the FSC rules in 1984 suggests that the FSC rules should parallel the DISC regulations they replaced. Accordingly, the 1987 temporary regulations with respect to software duplicated the interpretation in the DISC regulations.

Moreover, an administrative extension of the FSC benefits to software licensed with a right of reproduction would seem to run counter to the apparent purpose of the FSC rules, which limit tax benefits to the export of products "manufactured, produced, grown, or extracted in the United States." If FSC benefits were so extended, then some part of the processing of software products for sale in foreign markets that is now performed in the United States can be expected to be performed abroad. While a similar point might be made about licenses of films, records, and tapes, the decision to make an exception for those licenses was a legislative one. It would seem appropriate that a decision to expand the scope of the FSC rules to a new category as significant as software licenses (whether or not further processing is conducted by a related party) similarly should be a legislative decision.

Finally, you asked for the Treasury's views on the merits and necessity of the legislative proposal. The Treasury does not oppose the proposal, assuming appropriate offsetting revenue measures can be identified. The differences between the license of films, tapes and records and the license of software are not great, and as the technology develops, the demarcation grows increasingly less distinct.

Thank you for your interest.

Sincerely,
(Signed)

Lloyd Bentsen

oracle

MEMORANDUM

To: Bob Rubin, Bo Cutter, Gene Sperling, Sylvia Mathews

From: Tom Kalil

Re: Application of Foreign Sales Corporation Rules to Computer Software

Date: September 13, 1994

Summary:

Larry Ellison of Oracle Corporation recently wrote the President a letter asking him to review a decision made by Treasury with respect to the Foreign Sales Corporation (FSC) rules as they effect the software industry.

The decision that we have to make is whether to work with Treasury to re–examine their current position.

What's the issue?

The FSC rules were enacted in 1984 to create an export incentive for U.S. corporations. The effect of the rules is generally a 5 percentage point reduction in the corporate tax rate for eligible income.

In 1987, Treasury issued temporary regulations ruling that software exported **with a right of reproduction** would not be eligible for the credit.

This is because the FSC benefit is available for an export transaction involving "export property", which is defined to exclude most intangible property such as copyrights and patents. However, the statute exempts from this exclusion "films, records, tapes and similar reproductions."

The software industry argues that software is indistinguishable from "films, tapes, and records", and thus should be eligible for the credit. The software industry also argues that Treasury has the authority to do this **through regulation**.

Treasury's position is that we should "not oppose" action by Congress to extend FSC benefits to the software industry if they identify a revenue offset for the $200 million loss.

Arguments for Treasury position:

- Nothing has changed since Treasury issued temporary regulations in 1987.

- The purpose of the FSC legislation is to promote exports of goods "manufactured, produced, grown, or extracted in the United States." Extension of the FSC benefits to software licensed with a right of reproduction would run counter to this goal.

- The net effect on U.S. job creation is unclear, since it could encourage companies to package of software overseas.

- Making the change administratively might be criticized by some as making an end-run around the "pay as you go" budget discipline. Making the change legislatively would require a $200 million offset.

- The U.S. software industry is highly competitive.

Arguments for industry position:

- The Treasury Department's regulations fail to take into account the way the software industry does business. A U.S. company usually licenses a master tape of the software to foreign subsidiaries, third party distributors, original equipment manufacturers (OEMs) , and value-added resellers (VARs). Because software programs are continually evolving, large inventories of the software are not maintained. Instead, distributors, OEMs, and VARs make copies on an as-needed basis. This is an important mechanism for exporting U.S. software, but the current regulations don't permit these "exports" to receive FSC benefits.

- Technology is blurring the distinction between software and "films, records, and tapes." Is a multimedia CD-ROM a film or software?

- Since the U.S. is strong in "intangible" industries such as software, our tax laws should not discriminate against them.

- Although the U.S. software is strong, countries such as India are using tax incentives and low-cost, high-skill labor to gain market share.

- The industry position has strong support on the Hill, including 24 members of Ways and Means, 10 members of Senate Finance, and most of the California, New York, and Washington delegations.

- The overwhelming percentage of jobs in the software industry are not in manufacturing, but in programming, sales, management, etc.

Recommendation:

This is a close call, and I think that both the Treasury and industry positions are defensible. Given the President's commitment to maintain America's high tech leadership, however, I would recommend extending the FSC benefits to cover software exported with a right of reproduction.

THE WHITE HOUSE

WASHINGTON

95 APR 13 P8:41

April 13, 1995

RECOMMENDED TELEPHONE CALL

THE PRESIDENT HAS SEEN
4/14

TO:	Governor George Voinovich (R-OH)
DATE:	April 14-18
RECOMMENDED BY:	Marcia L. Hale LJ for MH John Emerson JE Bruce Reed
PURPOSE:	To reach out to Governor Voinovich about the important role he can play in getting a good bipartisan welfare reform bill.
BACKGROUND:	Governor Voinovich has written to Senator Dole to express his reservations with the House welfare bill which he feels does not provide states with enough flexibility and puts states at considerable financial risk. He favors block grants but has been more vocal than other Republicans about cost shifts to the states. As you know, Governor Voinovich is a moderate Republican governor who has worked with the Administration in the past. Governor Voinovich has endorsed Senator Dole for 1996, so you should expect that anything you say to the Governor could be repeated.
TOPICS OF DISCUSSION:	1. What does he think we should do to make sure Congress passes a bill the states can live with? 2. Encourage him to continue to take an active role in this debate to counter the conservative influence of Engler and Thompson. Ask him whether other moderate Republicans share his concerns.

CONTACT PERSON AND TELEPHONE NUMBER(S): Paul Mifsud 614/644-0817
Randy Fischer 614/644-0813

DATE OF SUBMISSION: April 13, 1995

ACTION: ____________________

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STATE OF OHIO
OFFICE OF THE GOVERNOR
COLUMBUS 43266-0601

GEORGE V. VOINOVICH
GOVERNOR

March 27, 1995

The Honorable Bob Dole
Majority Leader
U.S. Senate
Washington, DC 20510

Dear Senator Dole:

As you know, the House of Representatives has completed its consideration of welfare reform legislation. While I strongly support the decision made by the House to convert welfare programs into block grants, I am concerned that the House bill fails to provide states with the flexibility needed to set our own priorities and conduct innovative experiments to promote responsibility and self-sufficiency. Many of my fellow Republican Governors share a number of my concerns.

I was disappointed with the allocation formula established through the Temporary Family Assistance Block Grant. It is the position of the National Governors' Association that any formula should allow states to use either a three year average or 1994 spending levels in determining base year allocations. While the House formula includes this choice, it then applies a 2.4 percent reduction factor to each state's allocation. The reduction factor leaves Ohio with a base year allocation of $700 million annually, which is lower than what we would have received using either formula without a reduction factor. Speaker Gingrich assured states he would support eliminating the reduction factor. We would like to work with you in the Senate to make this correction.

Although allowing each state to receive its most favorable allocation without a reduction factor requires funding for the block grant to be increased by approximately $200 million nationally, it is important to remember that states are making a significant financial sacrifice in supporting capped block grants. If states are disadvantaged in determining base year allocations, it becomes even more difficult to make the increased investments in work programs necessary to move individuals off welfare.

The House bill also does not include sufficient protections for states in the event of an economic downturn. If Congress replaces open-ended individual entitlements with capped state entitlements, states are placed in an extremely vulnerable position should the welfare-eligible population increase significantly. The state and federal governments should be partners in meeting the needs of expanded caseloads in recessions. The House bill contains a $1 billion rainy day fund designed to provide the states with short-term loans, repayable with interest in three years. A loan fund does not represent a partnership; instead, it is a cost shift.

Ohio would be particularly disadvantaged in a recession due to aggressive steps already taken to reduce welfare caseloads. Today, 85,000 fewer Ohioans receive welfare than in 1992. States that have not been aggressive in reducing their welfare rolls will be better able to accommodate increased caseloads. Ohio's streamlined base makes it very difficult for us to absorb increased recessionary demands.

As part of our efforts to reduce welfare caseloads, Ohio has developed the strongest JOBS program in the nation. Ohio leads the nation with 33,911 recipients participating in JOBS. Only California comes close to matching Ohio's performance with 32,755 recipients enrolled in JOBS, and California has three times as many ADC recipients as Ohio. Our success with the JOBS program reflects a strong investment in training and education programs. Regardless of the extent of our investment, however, no work program can succeed without a commitment to making quality child care available for recipients. In Ohio, the state provides non-guaranteed day care to families with incomes up to 133 percent of the federal poverty level. The program currently has an average daily enrollment of 17,800. The State of Ohio is doing its part to provide child care to those in need. The federal government also must meet its responsibility.

I would like to see the child care and family nutrition block grants converted into capped state entitlements. In the House bill, funding for these block grants is discretionary. Key child care programs currently are individual entitlements. The need for child care only will grow as welfare recipients move into the workforce. My comfort level with the House package would increase significantly if states were guaranteed to receive a specified level of funding for child care and for child nutrition services for the next five years. That guarantee can only come through a capped state entitlement

Excessive prescriptiveness is a problem throughout the House legislation. The bill's work requirements are a perfect example. The federal government mandates how many hours per week a federally defined percentage of cash assistance recipients must participate in federally prescribed work activities. In a true block grant, states would be free to choose how best to allocate resources to meet goals developed jointly by the federal and state governments. The record keeping requirements in the House bill also are extraordinarily prescriptive. States remain concerned that our computer systems lack the capability to provide the information required by the House.

A true block grant should also give states the ability to determine their own program eligibility standards. The House legislation includes a number of specific eligibility restrictions. For example, cash benefits will be denied to unwed minor mothers and their children. Additional children born to mothers on welfare will be denied benefits. Decisions like these should be left to the states. By federally mandating these restrictions, the House is interfering with successful state reforms. For example, in Ohio we have developed a program designed to encourage minor mothers to remain in school. The LEAP (Learning, Earning, and Parenting) program supplements or reduces a teen mother's ADC cash grant based on her school attendance to teach her that there is a real value to completing her education. LEAP has led to a significant decrease in the drop-out rate for this vulnerable population. If the House prohibition on cash benefits remains in place, the LEAP program will have to be discontinued.

As the Senate begins to consider welfare legislation, I would be grateful for your assistance in addressing my concerns. Like many other Governors, I strongly support the broad outline of the House proposal, but it is important that these issues be resolved successfully. As a Governor, it will be up to me to implement welfare reforms in my State. I would like to work with you to ensure that block grants give the states the flexibility we need to implement innovative reforms designed to meet the specific needs of our communities. Without this flexibility, I cannot support this welfare reform package.

While Ohio watches federal welfare reform developments with tremendous interest, we have been actively pursuing a statewide reform agenda. I have enclosed a summary of Ohio's history of welfare reform innovation for your information.

Thank you for your personal consideration of my concerns.

Sincerely,

George

George V. Voinovich
Governor

April 15, 1995

The President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C.

Dear Mr. President,

Please be advised that I intend to be a candidate for election to public office in a partisan election and therefore do hereby submit my resignation as Administrator of the St. Lawrence Seaway Development Corporation effective immediately.

Respectfully,

Stanford E. Parris
P.O. Box 7108
Alexandria, Virginia 22307

resignation
will be
announced
Sat. 4/15
Clerk
John
cc Nash
Ickes
Sosnik

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: April 10, 1995

95 APR 13 P6:25

Date of Request: 2/28/1995

Request for: POTUS/FLOTUS

Type of Request: Honorary Patrons

Requestor Name: Dr. Werner Gundersheimer

Title: Director

Organization: Folger Shakespeare Library
201 East Capitol Street, S.E.
Washington, D.C. 20003-1094

Contact Tel. #: 202/675-0303

Event Date: 6/01/1995

Event Description: Gala

Notes: The proceeds fund outreach work done by the institution. Letitia Baldridge is chairing the event.

Recommendations:

MW ________ JP defer to maggie ________ EB ________

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: April 10, 1995 95 APR 13 P6 : 25

Date of Request: 3/21/1995

Request for: POTUS

Type of Request: Honorary Dinner Committee Member

Requestor Name: Mr. Ted J. Ross

Title: Host Committee Chair

Organization: CAP-PAC
1008 10th Street
Suite 255
Sacramento, California 95814

Contact Tel. #: 916/736-2722

Event Date: 6/03/1995

Event Description: Seventh Annual Gala Dinner

Notes: "CAP-PAC is the Sacramento area's bipartisan, equal gender, political action committee, which was formed to promote the civil rights of lesbian and gay people."

Recommendations:

JP NO EB ______

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: April 10, 1995

Date of Request:	3/26/1995
Request for:	POTUS/FLOTUS
Type of Request:	Honorary Chairs
Requestor Name:	Ms. Adrienne Hirt
Title:	Director and Community Liaison
Organization:	San Francisco Court Appointed Special Advocate Program 350 Sansome Street Suite 20B San Francisco, California 94104
Contact Tel. #:	415/398-8001
Event Date:	6/02/1995
Event Description:	Third annual SFCASA fundraiser
Notes:	"SFCASA recruits and trains community volunteers to provide a voice in the courts for children who have been removed from their homes because of abuse or neglect."

Recommendations:

MW ______ JP ~~N~~ ______ EB ______

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: April 10, 1995 95 APR 13 P6:25

Date of Request:	3/24/1995
Request for:	POTUS/FLOTUS
Type of Request:	Honorary Host Committee Members
Requestor Name:	Mr. Ron Weisner
Title:	President, Entertainment League
Organization:	American Cancer Society 5761 Buckingham Parkway Culver City, California 90230
Contact Tel. #:	310/390-8766
Event Date:	5/23/1995
Event Description:	Thirteenth Annual Gala Tribute Dinner
Notes:	The American Cancer Society will honor Mr. Sumner M. Redstone, Chairman of the Board of Viacom International, at the Gala.

Recommendations:

MW ______ JP \ es ______ EB ______

THE PRESIDENT HAS SEEN 4/14

OFFICE OF THE VICE PRESIDENT

WASHINGTON

April 12, 1995

MEMORANDUM FOR THE PRESIDENT

THROUGH THE VICE PRESIDENT

From Elaine Kamarck and Bob Stone

Subject: Air Traffic Controller Shortage and Our Proposed Corporation

Jack Quinn said you were concerned over the shortage of air traffic controllers in New York, and whether making air traffic control into a corporation might make the situation worse.

The shortage isn't a surprise. The NPR September 1993 report noted, "Federal personnel rules aggravate the [procurement and budget] problems: The FAA has trouble attracting experienced controllers to high cost cities." Moreover, even when they can find controllers willing to transfer, FAA often doesn't have the budgetary flexibility to pay relocation costs.

The FAA says it will fix the New York shortage by reassigning 15-20 volunteers to New York. They are under OMB limits on employment (FTEs), but can juggle to relieve the New York situation.

The corporation would make the situation better in three ways: First, its staffing won't be under OMB's control. Second, it will be free of civil service laws that limit pay differentials and outlaw mandatory moves. It will be able to pay what it takes to hire people in New York, Chicago, and other tough-to-fill places. Third, it will earn enough revenues from user fees to pay for adequate personnel levels as well as increased capital investment in air traffic control infrastructure.

The FAA can make do under the present system as a government agency with its vacuum tube technology, its staff shortages, and its lack of ability to get capital. But its inefficiency costs the airlines $3.6 billion a year -- that's more than all airlines made in their most profitable year. It will be able to do much better as a corporation governed and funded by its customers--the airlines, airports, and general aviation.

NATIONAL PERFORMANCE REVIEW - PHASE II
DEPARTMENT OF THE TREASURY - FINAL PROPOSALS

Consolidate Management of Delinquent Debt

Proposal

This proposal recommends that Treasury collect and manage all aspects of delinquent tax and non-tax debt government-wide. Under this scenario, revenue to the government from the collection of delinquent debt would be increased by 3.5%, to approximately $9 billion net increase over the five year period FY 1996 through FY 2000. This will also result in a government-wide savings of 300 FTE (a cost-savings of approximately $15 million) and a net benefit increase of approximately $4 billion annually by FY 2000.

Since 1987, federal tax and non-tax delinquent debt has increased by a total of $34 billion. While some of this increase is due to changes in the government's categorization and write-off policies, it is clear that the quality of the federal government's portfolio has continued to decline. Currently, each department and bureau is responsible for their own delinquent debt collection activities. This reliance on a fragmented and inconsistent approach in the management and collection of delinquent debt has contributed to the increase in the delinquent receivable balance.

The need for a uniform approach by providing consistent public policy drives the a common consolidated approach to the collection of delinquent debt. A reform of the process is not sufficient due to the need for common information systems to manage these collection activities in a consistent, coordinated manner. By centralizing delinquent debt collection, improvements will come from the better use of resources by ensuring that the collection efforts are directed equally across the entire portfolio, not at the best targets within a small subset of the total.

For example, most payments made today by the federal government are not first checked to determine whether the recipient has an outstanding debt to another department. In addition, there will be better management of the collection efforts by sharing tools and techniques and providing greater accountability. The use of a "tiered" collection approach which matches the type of delinquent debt (based on age, amount, type and debtor) to the collection technique used will improve effectiveness; the aggressive use of electronic offset programs will create the opportunity to ensure that the payee has no outstanding delinquent debt before payment is made.

Didn't this issue come up w/ SSA?

Checked w/ other agencies?

1ST STORY of Level 1 printed in FULL format.

The Associated Press

March 13, 1995, Monday, AM cycle

SECTION: Washington Dateline

LENGTH: 494 words

HEADLINE: Dole's Wife Trying to Separate Red Cross Post From Campaign

BYLINE: By CURT ANDERSON, Associated Press Writer

DATELINE: WASHINGTON

BODY:

Red Cross chief **Elizabeth Dole** said Monday she wants to separate **politics** from relief work while campaigning for her husband, Senate Majority Leader Bob Dole.

Mrs. Dole has received the endorsement of the Red Cross' board of governors to take occasional unpaid leaves of absence to help the Kansas Republican in his bid for the 1996 Republican presidential nomination.

Her first campaign appearances will be the week of April 10, on a tour of several cities following Dole's official entry in the race.

"The Red Cross is really studiously nonpartisan," Mrs. Dole said in an interview. "I believe I can be personally supportive of Bob and continue to lead the Red Cross."

She said she asked the 50-member board two weeks ago for advice about whether she should continue as the organization's president while her husband's campaign gears up. They told her it was her decision.

"I believe, like many others, that women should be able to make their own decisions about their careers," she said. "My husband and I have two very separate careers. We care about them deeply."

In these early days, Mrs. Dole said her campaign speeches and interview comments will steer away from issues and focus on her husband as a person.

"I think I can be supportive of him and talk about him in interviews," she said. "At a point where I don't feel comfortable, I'll have to look at other options."

Mrs. Dole recently kicked off a major Red Cross fund-raising effort that she wants to see through, but she set no timetable on when or if she might step down permanently.

In the past, Mrs. Dole has made sacrifices in her career to boost her husband's political fortunes.

In 1976, she took a nine-week leave of absence from the Federal Trade Commission to stump for the Gerald Ford-Dole ticket. She also resigned as President Reagan's secretary of transportation in 1988 to campaign for Dole's second bid for the White House.

Mrs. Dole has played several key roles in several of Dole's runs for office, including a $ 50,000 loan she made to keep the campaign afloat in his 1980 presidential race. Even though the amount exceeded contribution limits, the Federal Election Commission permitted it because they are husband and wife.

But perhaps the greatest asset she brings to the campaign is her popularity, particularly in her native South. She is from North Carolina. Dole often jokes that if they were to run on the same ticket, his wife's name would be at the top.

He has made it clear, however, that she would be no Hillary Rodham Clinton in terms of a first lady's direct influence over presidential policy.

"Elizabeth will not be in charge of health care," Dole told newspaper executives last week.

He kidded the same group about her dual roles as Red Cross chief and as a part of his campaign.

"I don't take her to these meetings because she's always trying to start a blood drive," Dole said. "I'm trying to talk, and she's trying to get your blood."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 13, 1995

[redacted]

[redacted]

Cardinal Mahony gave this
to Leon P. to give to POTUS.
95 APR 13 A11 : 01
Jennifer P.

Jim Dosskind?
Yes

please
reply
[illegible]

[redacted]

Archdiocese of Los Angeles

Office of the Archbishop
(213) 251-3288

1531 West Ninth Street

Los Angeles California 90015-1194

95 APR 13 A11 : 01

April 10, 1995

President and Mrs. Bill Clinton
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear President and Mrs. Clinton:

May I take this opportunity to thank you for visiting us at St. Vibiana's Cathedral in Los Angeles this past Sunday, Palm Sunday, and for sharing with us in the Proclamation of the Passion of Our Lord Jesus Christ and our Liturgy.

This was the first time that a President of the United States has actually visited St. Vibiana's Cathedral, and therefore, we consider it to be a very special and historic event.

Our congregation on Palm Sunday morning reflected the great diversity of Southern California as well as of our Catholic community. Each Sunday Mass is celebrated in thirty-seven languages in our Archdiocese, thus reflecting that great diversity which is ours.

I am grateful to you for the gift of fine parchment and envelopes, and I look forward to using them on very special occasions.

As you are aware, there are many areas of public policy and public service where the Catholic Church in this country is in harmony with your own goals and vision. We look forward to working closely with you, your Cabinet, and other members of your Administration as we find new and better ways to enhance our collaboration for the good of all peoples.

In a very special way, our **Hope In Youth** Anti-Gang Strategy is serving our community in a remarkable fashion, and I was very pleased that you made specific reference to that outreach effort in your remarks at the end of Mass. Our leadership role with the **Nehemiah West Housing Project** has been most successful, and we look forward to building more affordable homes in the coming years.

Asking the Lord's continued blessings upon your family and your leadership role as our President, and with kindest personal regards, I am

Sincerely yours in Christ,

+ Roger Cardinal Mahony

Cardinal Roger Mahony
Archbishop of Los Angeles

eb

Harold
Call the Pres.
about this -
7.17

THE PRESIDENT HAS SEEN
4-3/95

95 APR 11 P2:33

10 April 1995

MEMORANDUM TO THE PRESIDENT
THE VICE PRESIDENT
LEON PANETTA
ERSKINE BOWLES
JACK QUINN
MAGGIE WILLIAMS
DOUG SOSNIK

FROM: Harold Ickes (HI)

SUBJECT: '96 Re-elect

On Friday, 14 April, the President files a Declaration of Candidacy with the Federal Election Commission ("FEC"). In addition, the statement of organization and naming of a depository for the '96 Re-elect will be filed with the FEC.

Lyn Utrecht, the FEC counsel to the '96 Re-elect will have filed incorporation papers for the '96 Re-elect which will be incorporated in Arkansas.

The '96 Re-elect will have leased about 30,000 sq. feet at 2100 M ST, NW where the fundraising group will move this week. On Friday 14 April, the Re-elect expects to mail 850,000 direct mail solicitations.

THE PRESIDENT HAS SEEN
4/13/95

April 12, 1995

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Rahm Emanuel
Bruce Reed

SUBJECT: What to say about welfare reform at next week's press conference

There are a handful of good reasons for the President to devote his opening statement at Tuesday night's press conference to welfare reform: 1) This remains the number one issue that voters want Congress and the President to address this year; 2) The House bill is a political loser for the Republicans, and we should criticize it every chance we get before the Senate puts a less vulnerable bill on the table; 3) If we don't make our case loudly and soon for bipartisanship and real reform, the budget debate will make both very difficult; and 4) Every time the President has said anything about welfare reform, it has generated more press than we expected.

If the President decides to talk about welfare reform on Tuesday, here are the major points we would suggest that he make:

1. **Announce Missouri and Montana waivers:** The President could use the announcement of these two waivers -- one to a Democratic governor, the other to a Republican -- to illustrate his basic principles: work, responsibility, state flexibility, and bipartisanship. Both are serious waivers that impose statewide two-year time limits in line with the President's plan. Missouri is also where the President announced his plan last June.

2. **Denounce the House bill:** He should call for welfare reform that's tough on work and good to children, not weak on work and cruel to children. He can criticize the House for going after school lunches and disabled kids to pay for tax cuts for the wealthy. He could call for a national summit of religious leaders on welfare reform -- and say that he doesn't want to sign a bill that the Catholic Church, the National Council of Churches, and other major religious leaders believe is wrong.

3. **Make the case for bipartisanship:** As the Republicans plunge into the 1996 campaign, the President should seize the high ground by insisting that this is too important to become a partisan issue. He could say that Senate leaders face a fundamental choice: whether to work together across party lines to solve one of the nation's most gripping problems, or to put politics and ideology ahead of children and real reform. He could surprise Dole by saying we should take another look at the Brown-Dole welfare reform bill from last year (two-year time limit, tough work requirements, but no nasty strings, preserved the individual entitlement, and didn't mention block grants or the 10th Amendment; co-sponsored by Hank Brown, Dole, Packwood, Gramm, and 13 other Republicans).

4. Challenge the Senate to move quickly: The NGA is working on a possible bipartisan compromise. If that gels in the next few weeks, we might want to press the Senate to pass welfare reform as a stand-alone bill before the July 4th recess. If welfare reform is one of the last deals to be cut in reconciliation, it is sure to get the short end of the stick -- and the closer this issue gets to the heat of the Presidential primaries, the uglier it will get.

THE PRESIDENT HAS SEEN

4/13/95

THE WHITE HOUSE

WASHINGTON

95 APR 11 P2:12

11 April 1995

Leon — This action, an Econ. decision + political, should have been coordinated w/ NEC / NSC carefully. BC

MEMORANDUM TO THE PRESIDENT
LEON PANETTA
ERSKINE BOWLES

FROM HAROLD ICKES (HI)

RE Recent FAA certification of Chinese Harbin Aircraft Model Y-12

Attached, as requested, is a 10 April 1995 "note to the Chief of Staff" from FAA Administrator David R. Hinson regarding the recent FAA certification of the Chinese Harbin Aircraft Model Y-12. Also attached is the FAA press release of 31 March 1995.

According to the FAA, certification of this Chinese aircraft permits United States citizens/entities to purchase the aircraft for use in the U.S. since it meets FAA airworthiness standards.

According to the FAA, we have bilateral agreements with some 20 other nations permitting either parts or complete aircraft from those nations to be purchased for use in the U.S.

Please let me know if you need any further information.

cc: Kitty Higgins

U.S. Department of Transportation
Federal Aviation Administration

Office of the Administrator

800 Independence Ave., S.W.
Washington, D.C. 20591

April 10, 1995

NOTE TO THE CHIEF OF STAFF

Attached is a press release announcing the Federal Aviation Administration's certification of an aircraft designed and manufactured in the People's Republic of China (PRC).

The FAA has a long history of working with the PRC to enhance the level of safety in international aviation. In the late 1980's, PRC and McDonnell Douglas began producing MD-80 series aircraft in Shanghai. Since that time, the FAA has worked with the General Administration of Civil Aviation of China to develop an expertise in aircraft certification. Based on that experience, and to support the growing interests of the US aviation industry in the PRC, FAA recommended that the Department of State negotiate a bilateral airworthiness agreement (BAA) with the PRC.

Initially, the BAA primarily supported the McDonnell Douglas/PRC co-production agreements. More recently, the BAA was expanded to provide for FAA review of Chinese certification of small aircraft to determine whether those products meet FAA regulations. The Harbin Model Y-12 is the first aircraft to have been certificated under the expanded BAA.

This is the same process the FAA uses to issue certificates for the import and operation of products produced by French, German and other countries involved in the production of aviation products. Department of State has negotiated and signed more than 20 aviation bilaterals.

David Hinson

David R. Hinson
Administrator

FAA News

Washington, D.C.

FOR IMMEDIATE RELEASE
Friday, March 31, 1995

APA 21-94
Contact: Liz Neblett
Tel.: (202) 267-8521

FAA CERTIFIES FIRST CHINESE AIRCRAFT

In a landmark move, the Federal Aviation Administration (FAA) certified for the first time an aircraft designed and manufactured in the People's Republic of China. The certification permits the Model Y-12 Harbin aircraft -- which meets the highest United States airworthiness standards -- to be imported and operated in the United States, putting the Chinese on the same level with other worldwide aircraft manufacturers.

Since 1991, the United States has had a bilateral airworthiness agreement with the People's Republic of China, enabling the FAA to receive technical assistance and production surveillance from the General Administration of Civil Aviation of China for U.S. products manufactured in China. The provisions of that agreement have now expanded to allow United States acceptance of small airplanes, like the newly certified Harbin aircraft, and certain aircraft components.

The newly certified 17-seat aircraft is manufactured by the Harbin Aircraft Manufacturing Corporation in Harbin, a city in Northern China. The FAA has been overseeing the Chinese aircraft certification system for the past three years to ensure strict adherence to U.S. airworthiness standards.

The FAA has established a presence in China since the mid-1980s to mutually promote the highest level of public confidence in the safety of the international air transportation system. In the past, the agency provided technical expertise in airworthiness certification to the General Administration of Civil Aviation of China when McDonnell Douglas was permitted by FAA to manufacture the MD-80 series aircraft in Shanghai in the late 1980s.

##

Frank Shrontz
Chairman
Chief Executive Officer

The Boeing Company
P.O. Box 3707
Seattle, WA 98124-2207

THE PRESIDENT HAS SEEN
4/13/95

Potus should see -

Reply needs to be done to Dorskind

April 5, 1995

BOEING

Dear Mr. President:

I recognize the tremendous demands on your time and the significant issues you face each day. We have recently announced an additional reduction of over 7,000 employees in our workforce for the year. This will bring our total employee reduction over the last 4 years to well in excess of 50,000 employees. I believe the airline industry has shown a modest recovery but not to the extent of ordering new aircraft.

The prospective order from Saudi Arabia is critical to provide some recovery to the U.S. civil aerospace market. I am thankful for the Vice President's recent efforts on our behalf. I particularly wish to express my appreciation for your personal efforts regarding this matter. Your continued assistance in bringing the Saudi Arabian order to a final conclusion would be greatly appreciated.

Sincerely,

Frank

Frank Shrontz

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

National Association of Manufacturers

James P. Carty
Vice President
Small Manufacturers

RM

cc Dorskind

April 10, 1995 95 APR 13 AM 11:03

Mr. John Podesta
Assistant to the President
and Staff Secretary
The White House
Ground Floor, West Wing
Washington, DC 20500

Dear John:

A belated, but well-deserved thank you, for your great assistance in arranging for a Presidential message celebrating the centennial of NAM's founding in Cincinnati, Ohio, in 1895.

We have used the message extensively in all of our publications and trade show directories and we have an enlarged copy of the letter on display in our lobby for all to see.

I also want to thank Jim Dorsken for his great help in getting the message for us.

Again, the NAM extends a warm and personal thanks to you and Jim.

Sincerely,

1331 Pennsylvania Avenue, NW, Suite 1500 - North Tower, Washington, DC 20004 - 1790 • (202) 637-3047 • Fax: (202) 637-3182

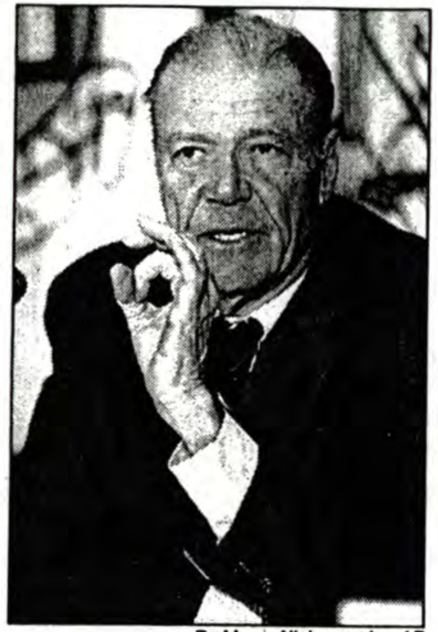
THE PRESIDENT HAS SEEN
4/11/95

Get this book for me — B.

to Betty Currie

McNamara: Vietnam War 'wrong'

By Johanna Neuman and Gary Fields
USA TODAY



By Marcy Nighswander, AP

Reuters

IN RETROSPECT: As Defense chief for two presidents, Robert McNamara, at left, helped draw the United States deeply into the Vietnam War. Above, he meets with Joint Chiefs Chairman Maxwell Taylor, left, and President Kennedy in 1963.

They called it McNamara's War, but McNamara rarely talked about it.

Now, the former secretary of Defense who encouraged President Lyndon Johnson to escalate the war in Vietnam has broken a 25-year silence on a war that deeply divided America, killed 58,000 U.S. servicemen and, according to recent estimates released by Hanoi, 3.3 million Vietnamese.

In a book due out this week, *In Retrospect: The Tragedy and Lessons of Vietnam*, Robert McNamara takes blame for being "wrong, terribly wrong."

Though McNamara has expressed doubts about the war before, this is his first *mea culpa*, an admission from the highest ranking official in the U.S. government that Vietnam was a mistake.

Commenting on the cynicism engendered first by Vietnam and later by Watergate, McNamara writes in excerpts published in *Newsweek* today he hopes the book will "put Vietnam in context."

His motive in going public on the eve of the 20th anniversary of the war's end, he writes, is that "we owe it to future generations to explain why."

There were 11 major causes, he believes, among them:

▶ Misjudgments.

There were five key points between November 1963, when John Kennedy was assassinated, and December 1967, when "we could have and should have withdrawn from Vietnam."

But U.S. officials were blinded to the quagmire they were getting sucked into because they misread Vietnam's strategic importance and underestimated the tenacity of the communist North.

The misjudgments, he writes, showed "our profound ignorance of the history, culture and politics" of Vietnam. "In the final analysis, if the South Vietnamese were to be saved, they had to end the war themselves."

▶ Lack of public support.

"We failed to retain popular support in part because we did not explain fully what was happening," he writes.

He adds that he and President Johnson used the 1964 Tonkin Gulf resolution, the only congressional approval for military action in Vietnam, as a pretext for escalating the war.

McNamara also argues that President Kennedy would have withdrawn U.S. troops from Vietnam and averted "a terrible price in blood," if he had not been assassinated in November 1963.

But Stanley Karnow, who wrote *Vietnam: A History*, says McNamara has "no evidence, no basis" for that.

Karnow says the main value of the book is that McNamara becomes "the first person of his stature to come out and say that the Vietnam War was a mistake and he was wrong."

Not everyone agrees with McNamara's reassessment.

"I guess the extent of his *mea culpa* surprised me somewhat," says Barry Zorthian, spokesman for the U.S. embassy in Saigon from 1964 to 1968. "Those who were in the field to carry out the basic decisions of the United States did not feel it was wrong. We were containing communism, blunting the thrust of China's aggression."

Jan Scruggs, president of the Vietnam Veterans Memorial Fund, says news of McNamara's confession "really brought back bad memories. I think it's a very bitter day for many veterans."

The sad part, he says, is that "all our sacrifices ... were for nothing as far as our country's national security."

USA TODAY · MONDAY, APRIL 10, 1995

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: April 10, 1995 95 APR 11 P6:05

Date of Request:	3/17/1995
Request for:	POTUS
Type of Request:	Message
Requestor Name:	Ms. Sheryl Lee Ralph
Title:	Executive Producer
Organization:	Divas: Simply Singing 4250 Wilshire Boulevard Los Angeles, California 90010
Contact Tel. #:	213/936-8951
Event Date:	5/06/1995
Event Description:	Fifth Annual "DIVAS: Simply Singing"
Notes:	The event is a benefit to raise money to fight AIDS. Jim Dorskind wanted this message request routed as if it were an honorary chair request.

Recommendations:

JP Do a letter — see attached EB ______

From: **OFFICE OF THE PRESIDENT**
through Office of the Staff Secretary

NAME SHERYL LEE RALPH

DATE OF LETTER 3-17-95

REFERRAL DATE 3-28-95

URGENT! REPLY DUE

RESPONSE DUE

CC: PAM MADARIS

Request for:

✓ Reply for the President
Information
Staff action/reply
Other

VET

Re:

Action requested MESSAGE FOR ANNUAL "DIVAS: SIMPLY SINGING"

Comments

2
0

To: Dan B.

From: Jim D.

REFERRAL DATE 3/31/95

Response ~~DRAFT~~ **DUE** 4/14/95

Action on referral Per NH today (3/31) vet — prime fundraiser, but (P) would want to help her out. Pls vet as if (but not "for") hon. chair + let me know w/ decision memo.

CONTROL NO.

To:

From:

COMPLETION DATE

Comments

To: **OFFICE OF THE PRESIDENT**

From: Office of the Staff Secretary

COMPLETION DATE

Comments

I:\track.

Divas: Simply Singing!

March 17, 1995

President Bill Clinton
President of the United States
1600 Pennsylvania Avenue
Washinton D.C. 20501-2000

Dear Mr. President:

I hope this letter finds you well and happy.

On May 6, 1995, in the beautiful Wilshire Ebell Theatre, Los Angeles will once again be treated to some of the finest vocal entertainment ever: the fifth annual *DIVAS: Simply Singing!, A Magical Evening of Song and Entertainment.* Divas from every musical genre will unite on this very special evening to raise their voices and fight the good fight against AIDS.

We would be honored and pleased to include a letter from you in our souvienr program which reaches about 2,000 readers. AIDS is becoming an international health crisis of catestrophic proportion that must be addressed by us all.

I created *DIVAS: Simply Singing!* as a tribute to the many friends and family we have lost because of AIDS. The event focuses national attention on the impact of this dreaded disease in communities of color, and on women and children. We all know that we live in a country that does not guarantee health care to all its citizens. Money is needed, both public and private, for prevention and care and a commitment must be made to help those who are least able to help themselves. Contrary to the recently published report on AIDS prepared by the National Research Council for the National Academy of Sciences *(LA Times 2/5/93)*, gay men, African Americans, Hispanics, women and children are not "invisible." They too are a part of "mainstream America."

This benefit concert will support Project Angel Food and Baby Buddies. Past Divas include Dianne Reeves, Linda Hopkins, Freda Payne, Martha Wash and Teena Marie. Slated to appear this year are Jody Watley, CeCe Peniston, Raven Simone, Mary Wilson, Liz Torres, Valerie Simpson, Marsha Warfield, Tisha Campbell and many others to be announced.

Please join us in supporting communities of color in the fight against AIDS. Become a part of *DIVAS: Simply Singing!* Please forward your response along with 2 photographs of yourself at your earliest convinence.

Should you have any questions about *DIVAS*, please contact me at (213)936-8951. I thank you in advance.

Very truly yours,

Sheryl Lee Ralph
Executive Producer

SLR/kqp

4250 Wilshire Blvd. • Los Angeles, CA 90010 • Phone/Fax: (213) 936-8951

GS

FYI - [illegible] Marshall letter
careful read JAD

THE WHITE HOUSE

WASHINGTON

April 4, 1995

The Honorable Ray Marshall
6400 Lost Horizon
Austin, Texas 78759

Dear Ray:

Thank you for attending the recent dinner at the White House and for your letter following up on our discussion. It was good to see you, and it was helpful to hear your perspective on affirmative action and diversity.

We have begun a thoughtful national discussion on how we can effectively and fairly ensure equal opportunity for all Americans. As we review federal affirmative action programs, I look forward to your continuing involvement and am grateful for your suggestions.

Sincerely,

Bill

P-341

cc: w/ incoming to Stephanopoulos

LYNDON B. JOHNSON SCHOOL OF PUBLIC AFFAIRS
THE UNIVERSITY OF TEXAS AT AUSTIN

Audre and Bernard Rapoport Centennial Chair in Economics and Public Affairs
P.O. Box Y • Austin, Texas 78713-8925 • (512) 471-4962 • FAX (512) 471-1835 • Direct: (512) 471-6242

March 16, 1995

Honorable William J. Clinton
President of the United Sttes
The White House
Washington, D.C.

Dear Mr. President:

In accordance with your request, I enclose a revison of the notes I prepared for our meeting on March 13. I hope you find them useful.

I greatly appreciate being included in the meetingo n this important subject. I know affirmative action is an important and difficult problem for you. But I also believe your history, commitment, and understanding give you credibility and make you uniquely qualified to deal with it. It also seems to me that this is one of those opportunities to define your presidency in terms of dealing with one of the toughest problems our country faces.

Please do not hesitate to let me know if I can help in any way.

Respectfully,

Ray

Ray Marshall

enc.

SOME NOTES ON POSITIVE INTERVENTIONS TO ACHIEVE EQUAL OPPORTUNITY

Ray Marshall

I. Introduction

A. Importance

1. Equal opportunity and anti-discrimination programs are not just for the benefit of minorities -- equal opportunity is absolutely necessary for social tranquillity and economic progress in a multi-cultural country like the United States and will be even more important as non-Hispanic Whites become a minority in the 21st century.
2. Such a society has enormous benefits in terms of quality of life, creativity and dynamism. But it also has deathly risks from racial and ethnic conflict.
3. National unity and consensus are important assets for a democracy. We therefore must attempt to develop fair and generally accepted approaches to opportunity in the common interest.
4. Costs of anti-discrimination programs: Enforcement, $2 billion; some say as high as $100 billion. Andrew Brimmer believes that discrimination costs $241 billion, or 3.8 percent of GDP.
5. How we handle this issue also will determine America's standing in a world where Whites are a declining proportion of global populations.
6. America should be proud of the progress we have made in overcoming discriminatory barriers to opportunity. It is healthy to pause periodically to review our progress and assess problems with our approach. But we must be very careful to avoid exacerbating inter-group relations and reverting to racial politics. No one who understands how painful our progress has been should want to turn the clock back to the most shameful parts of our history. People who are really interested in preserving this land of opportunity and freedom should condemn those who would threaten our future for narrow political gain.

B. Importance of careful definitions and thinking

1. Don't let opponents of equal opportunity define terms and therefore caricature the problem
2. Affirmative action--positive action to include those who have been excluded. It is not "quotas." There is a meaningful and logical difference between quotas and "goals and time

tables." No one is prosecuted for failing to meet a goal if they make a "good faith effort" to meet the goal.

(a) Quotas have been used as remedies where discrimination has been proven by evidence in court or administrative agencies. It is a way to partially restore those who have been discriminated against to positions they would have held except for discrimination, without completely displacing the beneficiaries of discrimination.

(b) "Discrimination in reverse"--affirmative action does not necessarily deprive other groups of pre-existing rights.

3. Discrimination.

(a) Rarely defined, but has at least two different meanings:

(i) specific, overt acts of discrimination that can be proved in a court of law. Relatively less important and appears to be what opponents of affirmative action mean when they say or imply that discrimination is no longer a problem.

(ii) institutional discrimination is deeply entrenched behavior that excludes people from opportunity. Does not necessarily require specific, overt acts of discrimination. Examples: "old boy" networks or nepotism only include certain people; residential segregation denies people knowledge and opportunity; minorities and women adjust to opportunities available to them.

Positive action is required to break down institutional forms of discrimination within a reasonable period of time.

(b) Discrimination, an action, is not the same as prejudice, an attitude, though they are related. In economic matters, actions often determine attitudes.

(c) Discrimination is caused by (1) status (beliefs that certain people are inferior); and (2) economic or other advantages perpetrators seek to achieve through discrimination.

II. Remedies

Positive interventions are required to overcome institutional discrimination. Lawsuits and administrative actions combat specific overt acts of discrimination that can be proven in court or before administrative agencies. Case-by-case litigation is necessary, but not sufficient, to combat institutional discrimination; it is very slow, expensive, uncertain, and less likely to reach institutional discrimination.

Race-, gender-, etc. conscious remedies are required if there is a race, etc. problem that cannot be addressed effectively by other means. Because they are likely to exacerbate social relationships, race-conscious remedies should be used carefully and where other remedies are less effective.

Remedies should be tailored to the form of discrimination and the specific group involved. The same remedies are not appropriate, for example, for employment and business discrimination.

The most effective remedies combine anti-discrimination and race-neutral actions designed to help all people similarly situated--e.g., all poor students or small businesses. Clearly, economic and employment growth will make it easier to address discrimination problems.

Examples of the need for carefully diagnosing and tailoring remedies:

1. If institutionalized discrimination has denied certain groups opportunities to enter certain kinds of occupations or training programs, the problem can be addressed and clarified with special outreach activities to inform, provide information, and help meet legitimate qualifications.

2. However, if employers, schools, apprentice programs, etc., refuse to cooperate because of discrimination, then a race-conscious remedy might be required. Outreach programs were very effective in the 1960s and 1970s.

3. Those who deny the need for positive interventions must argue that (a) there is no discrimination problem and (b) all decisions to include or exclude are based on "merit." However, this clearly is not the case. Institutional and overt discrimination persist and there are no simple measures of merit. For example, SAT scores predict freshman grades on the average, but not for individuals and not for performance later. One study of Harvard graduates found close correlations between success in life, blue collar backgrounds, and low SAT scores. SAT scores are, in addition, highly correlated with income. They therefore often say more about privilege than "merit" or potential to succeed. Admissions offices and employers therefore have to make complex choices. It is perfectly legitimate to expect them to help overcome institutionalized discrimination. It is equally clear that schools and companies have legitimate business or educational interests in diversity. However, schools and companies should not be required to, and need not, ignore legitimate qualifications for admission. Hiring decisions are different from, say, promotion or discharge decisions, because the latter are more likely to

involve pre-existing rights of, say, White males, which must be weighed carefully in the remedies taken, as courts have been careful to do. In this case, preferential treatment has been required to overcome the effects of discrimination while minimizing the negative impact on those who have benefited from discrimination. It would be difficult to show that such remedies have had large negative effects on Whites who have not been the beneficiaries of discrimination.

4. An example of the need for tailored approaches: minority business development (see my paper, "Minority and Female Business Development After Croson," 1991):

- Blacks are more disadvantaged in business than any other area of economic life:

    Blacks are:

    12.1% of population
    7.6% of income
    10.8% of labor force
    10.1% of employment
    6.0% of managers, executives, and administrators
    3.0% of doctors and lawyers
    own less than 2.8% of wealth, 3.1% of businesses and get 1.0% of business sales

- Black business problems are due to other factors, but overt and institutional forms of discrimination persist. In other words, Black small businesses have problems small White businesses do not face.
- Special approaches, like using government contracting powers, have been used because business is an important source of opportunity and power and <u>there are no other effective remedies:</u>

    (a) business discrimination is hard to prove

    (b) there are no federal laws against business discrimination

    (c) race-neutral programs (bonding, technical assistance, financial help, mentoring) have <u>limited effectiveness</u>. They:

    - can be very expensive
    - only operate on the supply side--they do not overcome discrimination in private markets or see to it that Black firms actually get business once they are helped by race-neutral activities

The use of government contracting with preferences for qualified Black businesses are therefore justified where discrimination is demonstrated by quantitative, historical, and anecdotal evidence, and until opportunity is as institutionalized as discrimination is now. Opponents should think carefully about whether they would prefer outlawing business discrimination (which I think should be done) to the minority business development programs by federal, state, and local governments. Programs should be temporary for participants and for classes, and should be reviewed periodically, as is done with the Voting Rights Act.

Where discrimination has to be demonstrated, as it must be under the Croson decision, it is disingenuous for White contractors, who have all of the private and most of the public business, to object to a part of public business being allocated to qualified Black businesses, who can get almost none of the private business.

While there is no evidence that anti-discrimination programs have been responsible for the serious problems faced by White males, there is no denying those problems. Indeed, the problems faced by males, especially those without higher levels of skill and education, reflect deeper structural changes in the economy and society. Technological change and intensified international competition have eroded the effectiveness of policies and institutions that made it possible for many of these males to have secure jobs and rising real wages. These structural shifts have increased the demand for workers with higher formal skills and education and have reduced the demand for semi-skilled and unskilled workers, who compete more directly with workers in the developing countries and who are most vulnerable to technological displacement. These structural problems have been exacerbated by low-wage economic policies, which the Clinton administration is working hard to reverse through improving education and training opportunities, strengthening the right of workers to organize and bargain collectively, opening world markets to America's most competitive and high-paying industries, strengthening social safety nets, etc. Indeed, the Clinton administration's health care initiative sought to address one of the most serious problems facing working Americans by providing affordable, high quality health care. This effort should be continued--adequate health care would do much to relieve some of these fears.

Addressing these structural problems and strengthening the performance of the American economy will improve the conditions of all Americans. Although these problems cannot be turned around overnight, it is extremely important to articulate a new vision and understanding based on the realities of the 1990s and beyond, and to build on the progress we have already made.

III. Have affirmative action programs been effective?

Most careful studies conclude that affirmative action programs have had at least modest effects in combating institutional discrimination, especially in the South during the 1960s and '70s, and for particular problems, like Black representation in the construction industry, where outreach programs were particularly effective in combination with legal sanctions, both of which were less effective by themselves. Affirmative action also clearly helped those most who were best prepared to take advantage of opportunities once they were opened up. This suggests the importance of combining anti-discrimination activities with heavier emphasis on improving education and training opportunities.

It is, in addition, important to make fair and carefully constructed anti-discrimination actions an integral component of economic and social policies. Because they are less adversarial, it would be desirable to induce as much voluntary anti-discrimination actions as possible. Voluntary anti-discrimination approaches are important because they can cause the inclusion of excluded groups to be more compatible with the requirements and realities of specific companies or organizations. But experience shows that voluntary actions are more effective when accompanied by vigorous enforcement of anti-discrimination laws and executive orders.

Some critics also argue that affirmative action damages Blacks or other groups by stigmatizing them or creating doubt in their minds about whether or not they could have made it on a level playing field. There is no doubt that insensitive or racist affirmative action programs could have this outcome and therefore should be avoided. But sensitive approaches that maintain legitimate qualifications and give minorities or others special help to meet qualifications and realize opportunities need not stigmatize. In any event, it is hard to argue that interventions that include race consciousness are more detrimental to Blacks or other groups than the presumption of inferiority that animates overt and institutional discrimination.

It is disingenuous for critics to argue that affirmative action programs did not solve the problems of poverty, unemployment, teenage pregnancy, crime, or drug and alcohol addiction. I don't know a serious proponent of affirmative action who thought that race-conscious interventions alone would solve all problems. But it seems equally clear that carefully constructed race-conscious interventions are required to overcome deeply-entrenched patterns of discrimination. Nor can there be much doubt that the elimination of such patterns of discrimination would yield enormous benefits to all Americans, not just the victims of discrimination. It is equally clear that racial politics and conflict that exacerbate this problem would have ominous implications for America's future.

IV. Conclusions

1. Carefully define terms and problems.
2. Build consensus. Stress: (a) careful definitions; (b) common interests; (c) facts; and (d) avoid group blame-casting. Concentrate on how we address a very serious common problem.
3. Tailor remedies to the nature of the problem.
4. Coordinate anti-discrimination programs with race-neutral approaches.
5. The federal government might establish broad guidelines for acceptable approaches and, wherever appropriate, encourage and empower state and local programs to remedy problems.
6. It is very important to build broad public and bipartisan political support for programs to establish real equal opportunity. Our history, in what were simpler times, demonstrates how debilitating racial politics can be.
7. Be sensitive to the real problems of White males who lack higher levels of training and education. Articulate concern and an understanding of the real nature of their problems, and a determination to address their legitimate concerns, without yielding to illegitimate attempts to continue to benefit from discrimination. However, also help White males understand the importance to them and their families of positive measures to include groups no one can argue have not been excluded. And stress commitment to avoiding or minimizing damage to those who have not been the beneficiaries of discrimination.

THE PRESIDENT HAS SEEN
4/11/95

THE WHITE HOUSE

WASHINGTON

95 APR 11 A11 : 29

7 April 1995

MEMORANDUM TO THE PRESIDENT
LEON PANETTA

FROM: Harold Ickes

SUBJECT: Phone call from George Mitchell

On 4 March, George Mitchell called to say that the President's actions with regards to Ireland have received, very broad support wherever Senator Mitchell speaks about them. He underscored, ~~however, that we need to publicize these accomplishments~~ much more, because he finds that many people of Irish decent, of which he claims there are some 40 million in the United States, still do not understand the role the President played in this regard. He suggested that our media affairs people prepare a short document outlining the President's role and accomplishments in this area and send it to every Irish oriented media outlet and publication in the United States.

cc: Mark Gearan

Gearan

make sure Gearan is copied

Don Baer

FYI —

B

THE PRESIDENT HAS SEEN

4/12/95

A little patience,
and we shall see
the time of witches pass over,
their spells dissolve,
and the people,
recovering their true sight,
restore their government
to its true principles.

Thomas Jefferson, 1798

PARTNERSHIP FOR A DRUG-FREE AMERICA

4/4 1. Leon 2. PRESIDENT

4/12

THE PRESIDENT HAS SEEN 4/12

Leon

quit to Rahm

might to follow up

the can. valid afraid

B.

JAMES E. BURKE
Chairman

April 3, 1995

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

Dear Mr. President:

Thank you for meeting with me last Tuesday to discuss possible initiatives in regards to the drug problem.

Since you indicated you wished to follow-up on the issue upon your return, I thought it might be useful to provide you with a specific recommendation which is attached.

It is my belief that Speaker Gingrich will support this idea and I know that Bill Bennett, John Walters and Bill Kristol agree with me.

With Admiration and Respect,

Jim Burke

JEB:dmp
Attachment

405 LEXINGTON AVENUE • NEW YORK, NY 10174 • (212) 922-1560 • FAX: (212) 697-1031

Recommendation for Bi-Partisan, Private Sector Initiative to Reduce the Demand for Illicit Drugs

The Problem - The erosion of anti-drug attitudes with the consequence of increasing drug usage among our children.

The Solution - Strong bi-partisan leadership to reach all key constituencies in society in order to reaffirm the importance of zero tolerance of drug trial among our children.

This recommends that the President schedule a well publicized speech to the nation on the drug problem in America as soon as possible. In attendance could be Speaker Gingrich, Senator Dole, Lee Brown and William Bennett.

The purpose of this event would be to "showcase" three important messages:

First - that as a country we have made enormous progress on the drug issue in terms of reducing the number of users from 24 million to 12 million or by 50% over the past 8 years! This progress was accomplished on a bi-partisan basis ... and many elements of the private and public sectors have been involved. The nation's children have been heroic in this regard... and this is especially important because almost 90% of current drug users started in their teens.

The 3,000 community coalitions should be recognized as well for their extraordinary efforts and examples of success, e.g. The Miami Story might be highlighted. The President would emphasize how important the private sector is as well as federal, state and local governments to this issue.

Second - to remind the country that we still have an enormous problem because of the "epidemic" of drug usage beginning in the '60's and peaking in the early '80's (to date **almost 80 million "triers"**) we have created a large pool of addicts many of them highly disordered.. The results are now embedded in every major social issue that the nation is concerned about ... crime...violence...AIDS...healthcare costs...teenage pregnancy...the homeless, etc. This country will spend a long time and a good deal of our wealth in cleaning up the results of this period of massive experimentation with drugs (an estimated 70% of the "baby boomer" generation have tried illegal drugs).

Furthermore, we see a re-emergence of the trends of the '70's in a sharp increase in the trial of illegal drugs particularly among our youngest children (8th graders who are on the average 13 years old!) These trends are clearly due to a weakening of anti-drug attitudes by our children which can and must be reversed on a bi-partisan basis ... **and** everyone must be involved.

Third - to announce a bi-partisan approach to getting "back on track" in continuing to reduce the trial of illegal drugs by our children. The President would announce the establishment of a bi-partisan commission (or advisory council) with blue ribbon representatives from all key segments of society that impact on the problem, to be chaired by Bill Bennett.

The advisory committee will be directed to (working with Lee Brown and ONDCP) present to the President in 60 days, a series of recommendations to the President and the Congress as to what initiatives should be taken by the private and public sectors necessary to achieve and maintain a goal of less than 3% of the public as "regular" or past-month drug users (as defined by SAMHSA Household Survey). This would be a reduction of approximately 50% from the current national estimates of approximately 6% of the public who are "regular" users. If this could be accomplished, the country will have reduced the number of regular drug users first from approximately 24 million to 12 million, and now from 12 million to 6 million. Progress against this new goal would be reviewed with the public on an annual basis with a target date of the year 2000 or over the next 3 1/2 years.

I believe this to be achievable based on the carefully tracked experience in Miami, Florida where they have achieved a similar goal in less than two years.

As a part of this plan the federal government would not only track progress nationally, but in key drug markets like New York, Chicago, Los Angeles, Denver, Washington D.C., and Miami. (Other cities might wish to establish their own goals and track progress using the same statistical methodologies.)

Summary - This would be a national commitment upon the part of the country to work toward a drug free America. Everyone would be asked to play a part and everyone could take satisfaction in the outcome.

- INSTANT CREDIBILITY WITH
  - PUBLIC
  - MEDIA
  - POLITICAL ESTABLISHMENT - e.g. MAYORS

COMMITTEE -
JOE CALIFANO
JIM BURKE
JIM COPPLE
TAD FOOTE
AL BROOKS
RUBY HEARN
ANDY SPICKARD
GEORGE SCHULTZ

MEDIA - RICH FRANK PRES. ATAS
SPORTS - MICHAEL JORDAN
MUSIC - DAVID GEFFEN
BUSINESS - BOB ALLEN
HEALTH CARE - JOE CALIFANO
MAYORS - CAMPBELL
GOVERNORS - TOM KEAN

STAFF - JOAN WALTERS

POTENTIAL CO-CHAIRS ?

DeLoncini
ED KOCH
TAD FOOTE - UNIV. MIAMI
JOE CALIFANO
COLIN POWELL
VERNON JORDAN
GORE

1 —

PRESIDENT CLINTON MEETING

COUNTRY WILL DEMAND PRESIDENTIAL LEADERSHIP ON THE ISSUE

- MEDIA ATTENTION INCREASING PDFA - ABC NBC - ATT.
- BENNETT - WALTERS - WASH TIMES
- WALTERS testimony 3/29 (ATT)
- JENNIFER FLOWERS BOOK
- POLITICAL HEAT

CLINTON BEST QUALIFIED PRESIDENT BY AGE AND EXPERIENCE

PLAN —

JOINT ANNOUNCEMENT TO THE NATION — CLINTON / GINGRICH DOLE?

WHITE HOUSE EVENT WITH NANCY REAGAN AND BUSHES - CHILDREN FROM ACCROSS U.S. (ALL STATES) - AND COMMUNITY LEADERS

MESSAGE TO COUNTRY – WE HAVE MADE ENORMOUS PROGRESS ON THIS ISSUE – THIS SUCCESS <u>HAS BEEN BI-PARTISAN</u> – THANK ALL THE "PLAYERS" – EDUCATE PUBLIC AS TO WHAT HAS BEEN ACCOMPLISHED – <u>AND</u> WHY?

THAT IS THE GOOD NEWS –

THE BAD NEWS IS – A RE-EMERGENCE OF THE TRENDS OF THE 70's – INCREASE TRIAL BY OUR YOUNGEST INTOLERABLE – WE <u>MUST</u> REVERSE TRENDS ON BI-PARTISAN BASIS <u>AND</u> EVERYONE MUST BE INVOLVED

GINGRICH – CLINTON – "IT IS NOT THAT WE HAVE NEVER SINNED – IT IS THAT WE HAVE SEEN THE OUTCOMES OF EXPERIMENTATION IN OUR GENERATION – AND WE MUST PROTECT THIS UPCOMING GENERATION – THE NATIONS FUTURE

THIS COUNTRY WILL SPEND A LONG TIME — AND A GOOD DEAL OF OUR WEALTH CLEANING UP THE RESULTS OF THE DRUG EPIDEMIC — HEALTH CARE ~~COSTS~~ — CRIME — VIOLENCE — AIDS ETC. AND WE MAY ARGUE ABOUT HOW TO DO THAT.

BUT.

WE CAN HAVE AN ENORMOUS EFFECT ON THE FUTURE BY PREVENTING THE TRIAL OF DRUGS BY OUR CHILDREN — AND WE CAN WITH THE TOTAL SUPPORT OF THE PRIVATE SECTOR ACCOMPLISH A GREAT DEAL SHORT-TERM — MEDIA — MUSIC — SPORTS — PARENTS — COMMUNITIES WORK PLACE ETC —

NAMING A NEW ADVISORY COMMITTEE (COMMISSION) HEADED BY BILL BENNETT AND ? REPORTING JOINTLY TO THE SPEAKER AND THE PRESIDENT — REPORT IN 60 DAYS AND FOLLOW-UP IN ONE YEAR — THIS GROUP WILL BE MADE UP OF THE BEST MINDS IN THE COUNTRY TO EVALUATE INITIATIVES LIKE DAPA?

THE WHITE HOUSE

WASHINGTON

OFFICE OF THE PRESIDENT

202/456-~~6610~~ 2990

Facsimile Transmittal Sheet

Date: 3 / 29 / 95

To: Jim Burke

Fax Number: 212 697-1031

From: Betty Currie

Message: These are your notes.
Please call me if there is a problem

5

Here are your notes from Jim Burke. He asked us to fax a copy to him. After he verified what was in them we faxed it. You [illegible] these on your desk

...nsmittal Sheet is intended only for the use of ... This message contains information which ... disclosure under applicable laws. If the ...ent, or employee or agent responsible for ..., you are hereby notified that any disclosure, ...g of any action in reliance on the contents of

THE PRESIDENT HAS SEEN
4/11/95

95 APR 7 A10 : 22

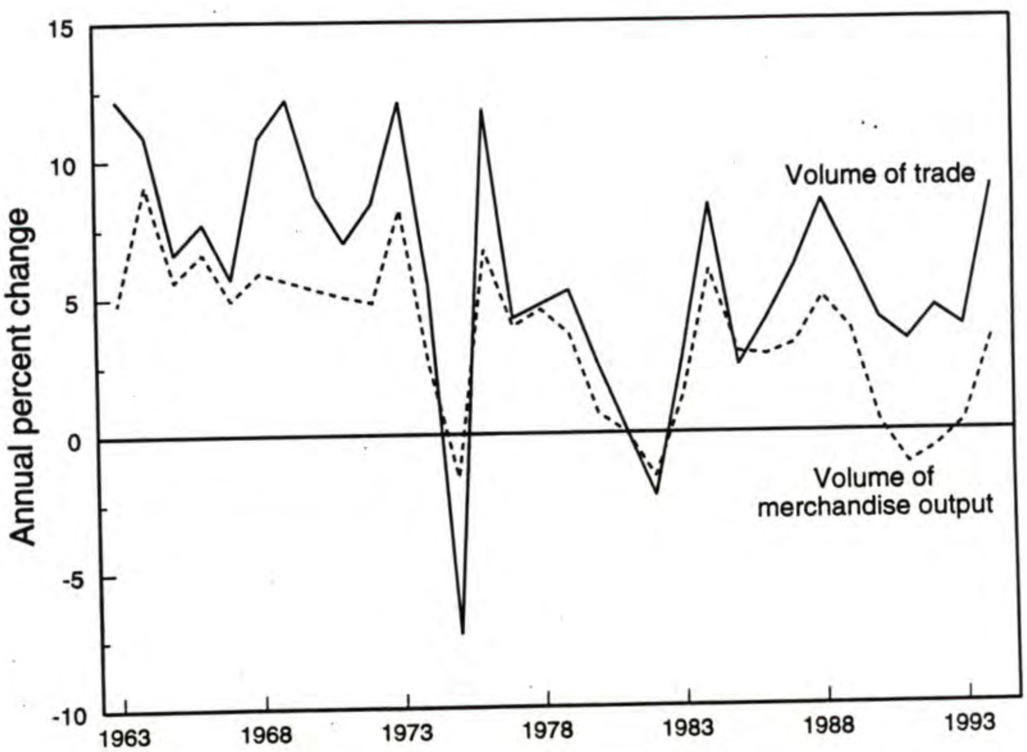
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

April 10, 1995

CHART OF THE WEEK

World Merchandise Output and Trade



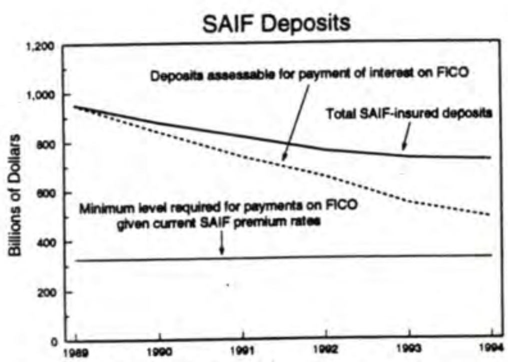
World trade in goods increased 9 percent last year—the biggest jump in nearly two decades (solid line in the chart). This strength reflected a pickup in world economic activity as evidenced, for example, by the upturn in the growth of global merchandise output (dashed line in the chart). But during the last few years, trade has grown noticeably faster than output (as shown by the gap between the two lines in the chart since 1985), suggesting that global integration of markets has also played a role.

CURRENT DEVELOPMENT

The Death Spiral of the Thrift Insurance Fund

On January 31, the Federal Deposit Insurance Corporation (FDIC) announced its intention to cut the deposit insurance premium rates paid by banks while maintaining the rates paid by thrifts at their current levels. (Under current law, the FDIC was compelled to take this action because the Bank Insurance Fund, or BIF, which insures bank deposits, will achieve full capitalization later this year. By contrast, the Savings Association Insurance Fund, or SAIF, which insures thrift deposits, is not projected to achieve full capitalization until 2002.) If implemented, this action will put thrifts at a competitive disadvantage (see Weekly Economic Briefing, October 24, 1994).

In the last few weeks, several of the nation's largest thrifts have moved to apply for bank charters. Evidently, these parent companies intend to induce their depositors to shift their funds to the new bank units. Such maneuvers will accelerate the death spiral of SAIF. As the pool of thrift deposits dries up, the incentive for each remaining thrift to exit will increase. Already, the total volume of SAIF-insured deposits has shrunk 25 percent since 1989, and the volume of deposits assessable for purposes of servicing SAIF's debt to the Financing Corporation (FICO) has fallen by half (see chart).



Note: Data are December values.

Analysis. The proposed gap between the thrift and bank insurance premium rates does not reflect any problem with the current health of the thrift industry (it is in good shape), but rather the fact that SAIF was established with no initial capital and with significant debt obligations related to the S&L debacle of the 1980s. Many analysts believe that the best achievable way to resolve the problem is to merge BIF and SAIF. The combined fund would have sufficient resources to assume the remaining obligations of SAIF, and would be fully capitalized in 1996 (only one year later than BIF on its own). At that time, premium rates of the combined fund would drop to about 6 cents per $100, or only about 2 cents more than if BIF were allowed to proceed on its own.

This approach would infuriate bankers because it would impose about $11 billion in costs on them that they might not otherwise bear. Bankers argue that they should not be saddled with these additional costs because they had nothing to do with creating the current situation. However, surviving thrifts can make the same argument; by definition, those most directly responsible for creating the situation are now out of business. Legislation will be required to implement virtually any of the solutions currently under discussion.

CURRENT DEVELOPMENT

A Cloudy Forecast From the Trustees

The financial status of the Social Security and Medicare trust funds changed little during 1994, according to the Trustees' annual report released April 3rd:

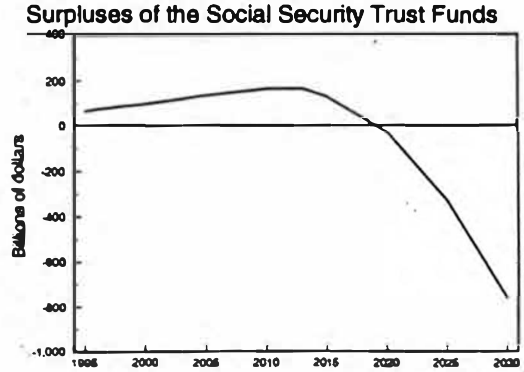
- While most people focus on the Social Security Trust Fund, the more immediate problem is in the Medicare Hospital Insurance (HI) Trust Fund, which is projected to run dry only seven years from now (one year later than was projected last year).

- The Social Security Trust Fund (including both the Old Age and Survivors portion and the Disability portion) is projected to be depleted in 2030 (the comparable figure last year was 2029). Over the next 75 years, the deficit in this fund is now estimated at 2.17 percent of taxable payroll (the comparable figure last year was 2.13 percent). See Weekly Economic Briefing, March 6, 1995.

- Within the Social Security Trust Fund, the Disability Insurance (DI) portion is projected to be depleted in 2016. (Last year, the DI portion was projected to go bust in 1995, but Congress stepped in and boosted the share of the Social Security payroll tax going toward DI.)

Analysis. At present, the social security system is running a hefty surplus: Receipts (revenues from payroll taxes, and from income taxes on Social Security benefits, as well as interest on accumulated reserves) exceed payouts (primarily benefits) by about $65 billion. This surplus is credited to the various trust funds, where it accumulates interest and is available for payment of future benefits. (It also helps reduce the Federal unified budget deficit.) But according to current projections, the Social Security surplus will peak in 2013 at more than $160 billion; thereafter, it will decline rapidly, hitting zero in 2020 and reaching a deficit of more than $750 billion by 2030, when the trust fund runs dry.

Surpluses of the Social Security Trust Funds



Some analysts conclude from this projection that it would be prudent for the Social Security system to begin to reduce the cost of future benefits and/or increase future revenues sooner rather than later because the required policy changes would be smaller than if action were delayed.

It is importance to finish review before final sign off on budget decisions

[redacted]

ARTICLE

RC

Work and Disability

BR

Since 1989, the number of Americans receiving disability benefits from the Social Security Administration (SSA) has increased 46 percent, to 7.9 million, and program cost has jumped 50 percent in real terms. The total cost of disability benefits and associated health insurance is now more than $100 billion. According to current projections, the number of beneficiaries will continue to increase sharply during the next 10 years. These developments are symptoms of severe underlying problems with the existing disability insurance system.

The current list of "fast-track" disabilities is obsolete. The SSA equates disability (and hence eligibility for Social Security Disability Insurance (SSDI) and its accompanying Medicare benefits) with being unable to earn $500 per month net of impairment-related work expenses. The process of becoming certified for benefits under this definition can be lengthy. However, there are exceptions. The SSA maintains a list of conditions that are presumed to prevent an individual from engaging in any gainful activity. Unfortunately, this list has not been updated to take into account the impact of new technologies in the workplace. For example, special computer screens can magnify small print for the visually impaired.

Eligibility of non-fast-track candidates is difficult to determine. Accurate measurement of many impairments can be obtained only with the full cooperation of the patient. For example, a patient claiming reduced lung capacity may or may not take a full breath on the testing apparatus. Even worse, medical impairment often bears only a weak correspondence to inability to earn; for example, it is difficult to know whether someone short of breath can be a shopkeeper, secretary, or programmer. These difficulties are compounded in the 40 percent of SSDI claims that are based on mental illness and musculoskeletal ailments such as lower back pain—categories where medical science has difficulty quantifying medical impairment.

The result is an application process that often resembles a lottery. Researchers have found evidence that many truly disabled are denied benefits, and others who could work are granted benefits. About half of all denials of initial applications are appealed, and most of these appeals are successful. Furthermore, the success rate upon appeal varies dramatically from judge to judge, from as low as 30 percent to as high as 80 percent. Such divergences suggest a disturbing lack of accuracy in the system, and hence (among other consequences) a lack of equity across people with similar disabilities.

The system does not deal well with temporary disabilities. Some disabilities such as certain forms of depression are debilitating when they strike, but can be controlled with proper medication. If the disability is recognized at the time of initial certification as possibly temporary, the file may be marked for an early

Continuing Disability Review. However, because of funding limitations and a backlog of applications and appeals, SSA is carrying out only a fraction of its statutorily mandated reviews. Moreover, even when reviews occur, the only course of action available to the SSA is to take away a lifetime benefit previously granted—a difficult process.

The system strongly discourages beneficiaries from returning to work. The difficulty in defining eligibility would not be too serious a problem if the system provided a strong incentive for beneficiaries to return to work. Unfortunately, the system does just the opposite. Indeed, under current rules, anyone who has worked even half-time at $6 per hour for nine months loses all of the SSDI stipend, and after four years of work Medicare benefits as well. Because disabled people typically cannot obtain medical insurance for their pre-existing conditions, loss of Medicare is a particularly strong barrier to returning to work.

These disincentives are illustrated by considering the case of a hypothetical single man receiving the typical SSDI cash payment, which is about $715 per month. If, as is common for many disabled people, he can work only part-time (say 20 hours per week), he would need to earn more than $8.50 per hour just to come out even on the cash stipend. Because most part-time jobs do not offer health insurance, the employee would need to purchase it. For three years he could purchase Medicare coverage for $3,700 per year (almost $4 per hour if working half-time). In total, this employee would need to earn about $12.50 per hour just to break even on a pre-tax basis if working half-time, or $6.25 per hour if working full-time. And after his Medicare privileges expire, he would need to find insurance that would cover a disabled person and his pre-existing condition on the private market. In light of these disincentives, it is not surprising that less than 1 percent of the SSDI population ever exit the SSDI rolls for employment.

The Domestic Policy Council and the Office of Management and Budget have begun a review of this issue. Their preliminary recommendations should be available this summer.

THE PRESIDENT HAS SEEN
4/11/95

Currents

Newsday's
Sunday Journal
Of Policy, Politics
And Ideas

65

[redacted]

Sunday, March 12,1995

Who deserves a break today?

NEWSDAY COVER EDITORIAL

AFFIRMATIVE ACTION: After three decades, it is painfully evident that its popular and political underpinnings have rusted away — maybe beyond repair. The challenge for Americans of good will is not whether to fight to keep affirmative action as it exists — that's a lost battle already — but how to modify it to accommodate the legitimate criticisms against it. Too much good has come of affirmative action — and racism is still too much with us — to throw it out entirely.

Think of it as a highly toxic medicine needed to stop the growth of a deadly tumor. At some point, we as a society must decide whether the poisonous effects of that medicine on the body

— Continued on Next Page

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Hillary Clinton Defends Kids Against Congress/P. 36

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Rethink Affirmative Action, Don't Reject It

— Continued from Preceding Page

politic are causing greater harm than the affliction it was meant to control. But if we scrap it thoughtlessly, allowing it to be used as a weapon in mean-spirited political battles, we will be sorry.

As a concept, affirmative action rose from the worthiest of intentions. It was meant to remedy centuries of racial discrimination. Its object was to set an example for the rest of society about how blacks, if given a chance to break the educational and economic barriers that for so long kept too many of them back, could work their way into the mainstream of American life. And it was always viewed as a temporary policy.

It Quickly Expanded

In application, it has evolved into a mosaic of practices that have often helped and sometimes injured. It quickly broadened its target beyond the victims of racism to include the victims of sexism and of myriad other forms of discrimination. It has helped to greatly accelerate the growth of the black middle class. It has boosted women in unprecedented numbers into jobs from which their mothers had been excluded. At the next level, affirmative action has created a new awareness that diversity is not only a noble goal but a practical one: increasingly firms are hiring minorities because employing a variety of people from different backgrounds is deemed necessary to run a successful business. In this sense, recognizing the value of diversity is the step beyond affirmative action, a voluntary action taken out of self-interest not coercion.

But affirmative action has also led to a corrosive undercurrent of resentment among whites who feel, rightly or not, that they were cheated of their own opportunities, or who bristle at having to pay for injustices that they, as individuals, have not committed.

It has led also to an invidious competition for advantage, particularly in a time of economic stagnation and corporate retrenchment, among an absurdly inflated number of groups claiming protected status as victims of discrimination. California alone has 22 protected classes. Those now entitled to affirmative action in one jurisdiction or another range from homosexuals to Aleuts; from the handicapped to the grossly obese. Competition for redress rages between protected groups, within the Hispanic community itself; between Koreans and blacks and Hispanics and blacks, and black women and white women; between recent arrivals from Cuba and second-generation Cuban-Americans . . . and on and on into a surrealistic stretch that cannot sustain rational argument and, ultimately, undermines the very goals that affirmative action was meant to attain.

It Has Done a Lot of Good

That said, affirmative action is working.

But the ideal goal of equality is still very far off. Largely because of affirmative action, more blacks and women attend college and professional schools than ever before; more women and minorities step up into middle-level management, and that momentum is increasing. However, white women are by and large the greatest beneficiaries of this shift, followed at a distant remove by black women and, further down, by black men. White men have not been dislodged from their historic spot at the very top of American society — but they are also the biggest losers in the affirmative-action zero-sum game.

Census figures show that the median income of white women rose by 10 per cent between 1979 and 1993, while the median income of white men dropped by almost exactly the same rate in the same period (though white women make only 70 cents for each dollar earned by men, up from 60 cents in 1979). A similar narrowing of the gap occurs between black men and women but at persistently lower income levels.

Affirmative action, however, has been responsible for highly contentious court cases and a spate of sometimes

> *'America has never been color-blind.'*

absurd practices that offend common sense, provide fodder for right-wing talk-show hosts, and have led to the current grass-roots revolt against it:

- **In California,** the state highway patrol, having failed to meet its Hispanic hiring goal, sent recruiters to Mexico City to ferret out qualified applicants and bring them north of the border as legal residents.
- **Also in California,** a state health department supervisor was fired when he refused to fill 10 clerk-typist positions with minorities regardless of their typing abilities.
- **And in Cleveland,** where blacks are the dominant public school population, the school board ruled that all basketball teams must be comprised at least 20 percent of white players.

The legitimacy of affirmative action is now under widespread attack. In California, a referendum to abolish affirmative action in all state institutions is in the works and has overwhelming public support. Three leading Republican presidential candidates intend to make affirmative action their target. And President Bill Clinton, in a defensive response, has ordered that all federal affirmative action programs be reviewed to see whether they are still needed.

But to dismiss detractors of affirmative action as angry white men addicted to Rush Limbaugh's bombast is to dismiss such thoughtful critics as George McGovern, a staunch lifelong liberal; Susan Estrich, law professor and campaign manager for Democratic presidential candidate Michael Dukakis; Clarence Page, a black syndicated columnist not known for right-wing views; Clinton's own pollster, Stanley Greenberg; and even Lani Guinier, the black University of Pennsylvania law professor pilloried by conservatives in Congress for her views on racial quotas. The reservations about this policy run deep and they cross party lines.

The nation is embarking on a great debate about affirmative action. What must precede the debate, however, is an understanding of key points that get lost in the heat of rhetorical battle swirling around this issue:

- **Race matters.** Race was the very reason why this all began, through President Lyndon Johnson's 1965 executive order requiring all federal contractors to take "affirmative action" to promote the hiring of blacks and other minorities. The moral focus of affirmative action would be far sharper, and its rationale more easily defensible, if the sole goal of these policies were the redress of centuries of racial injustice and the aftereffects of slavery by focusing remedies on African Americans. In other words in modifying affirmative action the focus should be where it started: on the unique problems facing black Americans. This is not to say that sexism is no longer a problem or that women have not also historically been victims of discrimination; they couldn't even vote until the 19th Amendment was ratified in 1920. But women have made enormous gains and their continued success can more properly be assured from now on by firm enforcement of anti-discrimination laws.

A color-blind society is an ideal goal, but perhaps an unattainable one: American society never has been, is not now and is not likely to ever be color-blind. This is a country with a long, bloody and shameful history of racism and slavery. But it is also a country that more than any other on earth has worked hard to correct those injustices and has succeeded to a remarkable degree in creating a system of legal rights and protections for minorities. At best, we can hope for color-tolerance.

- **Diversity is Good Business.** Increasingly there is recognition that diversity in the work force is a necessity. Some companies have adopted affirmative action plans enthusiastically, some reluctantly. But almost all have found that diversity, ultimately, is better for the company's internal workings and — most im-

THE DOUG MARLETTE CARTOON

ortant of all — it's good for business. As the society becomes more diverse in terms of race, gender and ethnicity, business leaders know their companies must reflect those changes in order to understand their markets and be successful in them. The quest for diversity is not the same as affirmative action. It is, in fact, a positive result of affirmative action that could obviate the need for the policy some day.

At its core, affirmative action is self-contradictory. Its methods — goals that translate into de-facto quotas, preferences that are perceived as reverse discrimination — are essentially at odds with the ultimate ends the policy is meant to serve. There is an unconsciously perverse premise to its function: That in order to push America toward the ideal of a color- and gender-blind society, we must first give priority to race, ethnicity and gender in hiring, promotions, college admissions, faculty selections and job training to correct for past imbalances or current bias.


UPI/Bettmann Photo
President Lyndon Johnson gives Martin Luther King the pen he used to sign the Civil Rights Act.

To be justified and to receive general acceptance by all Americans, affirmative action must be perceived as being about opportunity, not entitlement. It should be seen by all as an acceptable leg up for those handicapped or injured by past and present discrimination to compete equally, not an assurance of desirable results. It cannot be viewed as a mechanism to suppress or defeat individual achievement and merit. But that's exactly how it is seen today, by an increasing number of Americans, particularly in a time of great economic insecurity. And it cannot turn into a doctrine of group rights over individual rights — a concept that goes against the American grain, and a philosophical slippery slope of the first order.

To save affirmative action, distinctions may have to be made between access to education, which prepares applicants to compete for jobs, as opposed to setting racial or gender goals for the jobs themselves. Or perhaps documentable patterns of a particular type of discrimination in specific areas — as in police and fire departments and some unions — might be needed.

Understand this, too: Even if affirmative action were to end tomorrow, many of Rush Limbaugh's followers would not be better off. Anyone with limited skills tied to old manufacturing industries, including white males who aren't well educated, is going to lose out to both unskilled and skilled workers in cheaper labor markets around the world. Nor would we find ourselves suddenly in a utopian meritocracy.

It just may be time for the president to appoint a blue-ribbon bipartisan national commission chosen from among the most distinguished and respected thinkers and policymakers in the United States. The panel should address the issue of just how long the nation will need effective forms of affirmative action: It should come up with yardsticks to let Americans gauge whether the playing field is finally level. If the rate of poverty among blacks falls to the same level as the rate of poverty among whites, would that development be an appropriate trigger for ending affirmative action? Or perhaps a measure of the per-capita gap in wages and assets between the white middle class and the black middle class — similarly educated and situated groups — might be a benchmark.

Affirmative action was never meant to be an end in itself, just a means to an end. The need for that means certainly has not ended. Racism, specifically against black Americans, continues to be the great American dilemma. Much has been done to deal with it. Much remains to be done. We fool ourselves if we believe the playing field is now level. It is not. But if affirmative action is going to continue to be a useful tool it needs to be thoroughly re-examined and given a renewed, modified mission. The alternative is a bitter, partisan debate that will do little if anything to deal with the real problems facing this nation.

Asides

IF TRUTH-IN-Packaging laws applied to politicians, then Sen. Ben Nighthorse Campbell would be facing a new election. Campbell (R-Colo.) won election two years ago as a moderate Democrat. The label fit until this month, when he stunned Washington by defecting to the Republican Party.

That's all right. Campbell should be free to follow his conscience. He had long been out of sync with more liberal Democratic nostrums. But his constituents, who elected him at least in part because he was a Democrat, have been had. If Campbell can change his mind about Democrats, then Democrats deserve a chance to change their minds about him. And they shouldn't have to wait four years for his term to expire before being allowed the opportunity to return his cold shoulder.

Party-hoppers should face the voters in the first scheduled election after their change of stripe. Media advances that allow politicians to take their messages straight to the people have helped elevate personal politics above party. But party labels still mean *something*.

Alvin Bessent

WHEN EMPIRE Blue Cross and Blue Shield are losing money and begging Albany for steep rate increases, should the Blues' top executives be collecting fat bonuses? Of course not — which is why Republican legislators are talking about a bill to forbid pay hikes for the Blues' biggies unless the state approves them.

This isn't the smartest idea that ever originated in the Empire State — but neither was the $125,000 performance bonus the Blues gave departing chief exec Robert O'Brien last year, on top of $301,153 salary for seven months' work. Or the $300,000 bonus paid to incoming chief exec Michael Stocker in addition to his $82,692 salary for just two months on the job.

The Blues' position is that good people are worth paying for — which is about what Long Island Lighting Co. chairman William Catacosinos said when he took a $55,000 raise this year that brought his salary to $633,000. Could be. But Catacosinos took so much heat he finally decided to forgo the raise. Maybe the Blues' bonus babies should learn something from Catacosinos instead of tempting the Legislature to teach them a lesson.

James Lynn

THERE'S A LOT of nonsense peddled in the name of weight loss. Remember the water diet? Remember predigested protein? Remember oat bran? Even when obsessing on gimmicks like these, most dieters maintain a small skepticism in the backs of their minds: Will this *really* work?

But most of us recognize reality when we're struck by it. This week's pronouncement that the human body adjusts its metabolism to speedily put lost weight back on has that ring of undeniable truth. Will this message from your genes stop people from yearning to squeeze into designer jeans? No way. I predict that the next fad diet will be peddled by some entrepreneur who's dreamed up a regimen for fooling your body into thinking you're not dieting. It's not nice to fool Mother Nature, but desperate dieters will try anything.

Carol Richards

These are personal views of members of the editorial board.

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Erskine/Harold/Don

Esp—

GREER, MARGOLIS,
MITCHELL, BURNS
GMMB&A
& ASSOCIATES, INC.

PERSONAL AND CONFIDENTIAL

MEMORANDUM

TO: PRESIDENT CLINTON

FROM: FRANK GREER

DATE: APRIL 5, 1995

This has been a very good week for message and theme. You've been terrific -- attached is a clip from the Post on Sunday (note the underlined comment).

By all reports the Economic Conference in Atlanta and every event in Florida was "on message" and very compelling. The "Education and Training" theme is coming through loud and clear and its a great contrast to the Republicans in Congress... "cutting education and training so they can give tax breaks to big corporations and the rich."

I've just read your speech to the Building Trades AFL-CIO yesterday. It is, I believe, the best thematic statement I have read since you became President. I would use it as a basis for the Texas and California speeches this week. It needs to be a bit more focused and we need to make it a bit more concise, but it was terrific.

Keep it up. We're "fighting to restore the American Dream" -- and it's working. You're inspiring the nation -- and challenging us all.

Also I've attached some little noted poll questions from the New York Times/CBS Poll of February 25 and the Washington Post/ABC Poll of March 21 -- as the debate rages on the role of government, keep in mind: "89% of the American people believe government can have a positive impact on people's lives."

Keep up the good work. Give me a call if I can help in any way.

1010 Wisconsin Avenue, NW • Suite 800 • Washington, DC 20007 • (202) 338-8700 • FAX (202) 338-2334
2110 Main Street • Suite 203 • Santa Monica, CA 90405 • (310) 314-4800 • FAX (310) 314-4803

Do you think the government CAN have a positive impact on people's lives, or not?
(CBS/NYT, 2/25)

	Total	REP	DEM	IND
Can	89%	91%	91%	84%
Can not	10%	8%	7%	14%

Do you agree or disagree with the statement, Republicans "will go too far in helping the rich and cutting needed government services that benefit average Americans as well as the poor?"
(ABC/Wash. Post, 3/21)

Agree	59%
Disagree	41%

Who do you trust more to do a better job helping the middle class, President Clinton or the Republicans in Congress?
(ABC, Wash. Post, 3/21)

	Now	January
President Clinton	52%	41%
Republicans	38%	49%

Which of these two statements would you say represents the greatest DANGER for the country:
(ABC, Wash. Post, 3/21)

Statement A: Democrats in Congress will go too far in keeping costly government services that are wasteful and out-of-date.

Statement B: Republicans will go too far in helping the rich and cutting needed government services that will benefit average Americans as well as the poor.

	Now	January
Statement A	34%	43%
Statement B	59%	45%

Clinton Attacks GOP on Education

Radio Address From Little Rock Decries Proposals to Cut Funding

By Edward Walsh
Washington Post Staff Writer

LITTLE ROCK, Ark., April 1—Back in his home state for a weekend of relaxation, President Clinton today happily engaged in some of his favorite pastimes: jogging, playing golf, following the fortunes of the University of Arkansas men's basketball team and bashing the Republican majority in Congress.

Clinton, who arrived here Friday at the end of a trip that took him to Georgia, Florida and Haiti, devoted his regular Saturday morning radio address to a defense of the administration's education policies and said GOP proposals to cut education funding are "wrong."

Speaking in the media center of the Gibbs Magnet School here with about two dozen elementary school children arrayed on the floor in front of him, Clinton said the most important task of government was to "help our people raise their education and skill levels so they can make the most of their own lives."

"Now, many in Congress think there's no difference in education and other spending," he added, citing proposed GOP cuts in the Head Start program; his national service program, AmeriCorps; and, "unbelievably, the college loan programs. These are not wise proposals."

> *"Many in Congress think there's no difference in education and other spending."*
>
> — President Clinton

Clinton said education and training programs enjoyed broad bipartisan support in Congress in the past, but "now in this new Congress, some want to cut education. And that's wrong."

"I don't know what political party these children belong to, but I do know we need them all, and they deserve our best efforts to give them a shot at the American dream," he added.

As with several of his recent speeches, Clinton's remarks today were laced with the imagery and language of his 1992 campaign, when he portrayed himself as a "new Democrat" who offered a "new covenant" to the voters that avoided the "false choice" between big government and "the new rage of no government."

In the Republican response, Sen. Judd Gregg (R-N.H.) defended GOP budget proposals and described Clinton's visit to Haiti, where the president took part in a ceremony turning over peacekeeping duties to the United Nations, as "a big bunch of hoopla."

"All we seem to have done is go to a defenseless little island, replace one bunch of thugs with another group of thugs and spent a billion and a half dollars of our money doing it," Gregg said.

For most of the day, however, such long-distance political sniping seemed far from Clinton's mind as he made his way through the familiar surroundings of the city where he served as Arkansas governor for 12 years. He took an early morning jog on a bike trail near the Arkansas River and later strolled through a neighborhood, stopping to point out the spring foliage. This afternoon, he played golf with two old friends, Walt Patterson, who headed the state's Health and Human Services Department when Clinton was governor, and federal judge Richard Arnold.

Before he left the school, Clinton read two press accounts of the visit to South Asia by his wife, Hillary Rodham Clinton, and their daughter, Chelsea. One story reported that Hillary Clinton's decision to confine her public statements to women's and children's issues had drawn press criticism in some of the countries she visited. The president said his wife believes "the issues of women and children are central to the future of these cultures, and I agree with her."

Tonight, Clinton joined friends at Doe's restaurant, a favorite hangout of his campaign staff in 1992, to watch the Arkansas Razorbacks play North Carolina in the semifinals of the NCAA basketball tournament.

On TV: Gingrich, Christopher, Specter

Guests to be interviewed today on major network talk shows:

Reps. Roger Wicker (R-Miss.), Sue Myrick (R-N.C.), Sonny Bono (R-Calif.) and J.C. Watts (R-Okla.) on "Meet the Press" (NBC, WRC), 10:30 a.m.

House Speaker Newt Gingrich (R-Ga.) on "This Week With David Brinkley" (ABC, WJLA), 11:30 a.m.

Secretary of State Warren Christopher and Sen. Arlen Specter (R-Pa.) on "Face the Nation" (CBS, WUSA), 11:30 a.m.

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E. J. Dionne Jr.

Affirmative Action's Limits ...

Affirmative action is a program defended in the name of equality whose actual purpose is to redistribute *inequality*. Affirmative action does not seek a general expansion of incomes or opportunities. Rather, it tries to achieve different apportionment of *existing* opportunities. It's the classic zero sum game.

Affirmative action does not reduce the disparities between those at the top and everyone else. It effectively accepts those disparities and looks instead at whether the racial, ethnic and gender makeup of the people who hold coveted positions fairly reflects the makeup of society.

Affirmative action is different from traditional redistributive programs, most of which involve spending sums of money. With the old-fashioned programs, you can split differences with relative ease. If we're arguing about how much money to spend to help the handicapped, the unemployed, the elderly or the very poor, you and I might propose different amounts. It's not so hard to agree on a number in between, or to compromise on how the taxes to pay for such programs should be apportioned.

But you can't split differences so easily with affirmative action, because by definition it's applied to each individual job or college spot. Either you get it, or the other guy (or woman) gets it.

Finally, the older redistributive programs defined groups not in terms of *who* they were (African Americans, women, Latinos), but rather by *what* their condition was (for example, orphans, the unemployed, the elderly, the sick, students in need of scholarships). Anyone—of either gender, of any color, of any ethnic group—might fall into the second set of categories. Programs for the poor or the unemployed may well set off fights between the lucky and the unlucky, the rich and the not-so-rich. But these are not fixed categories. Affirmative action, on the other hand, rests on fixed definitions of which group you belong to.

All of the above might be taken as an argument against affirmative action. If one's central concern is for a more equitable society, it would seem to make sense to direct government-backed efforts not toward entire racial or gender groups but toward all those, no matter what group they belong to, who need the most help. Surely, for example, it makes more sense to direct resources and preferences to impoverished inner-city kids and not to the sons and daughters of the well-off in the black community. And it doesn't seem to make sense to give, say, the daughter of the president of a steel company a preference over the son of a white janitor at the same steel company. Cases like that may not be typical, but they are relevant to the issue of whether affirmative action is always just.

It does not reduce the disparities between those at the top and everyone else.

But matters do not stop there. The reason this issue is so hard was summarized by the sociologist Steven Lukes in a brilliant adage. "Every way of seeing," he once wrote, "is also a way of not seeing." So, for example, if you focus only on the injustices of class, you might well miss the injustices of race or gender. It is perfectly reasonable for an African American, even an affluent African American, to argue that the burden of discrimination he or she faces is qualitatively different from what might be faced by the white janitor's son. After all, the United States has been firmly committed by law to racial equality for only 31 of the 208 years that have passed since the adoption of a Constitution that permitted slavery. There is, to put it mildly, a lot of catching up to do, and the country clearly has an interest in making sure that African Americans have a good chance of inclusion at all levels of society.

Nathan Glazer, a sociologist who has been one of the most articulate opponents of affirmative action, surprised many with an op-ed article in the Wall Street Journal last week warning that simply wiping out affirmative action could have disastrous consequences. "I am concerned," he wrote, "that African-Americans will see the abandonment of affirmative action for them as a terrible rejection by an indifferent and hostile society." Would they be entirely wrong?

If the coming affirmative action debate is to be something other than demagogic, each side needs to honor the other's truths. Opponents of affirmative action need to recognize that the standard they espouse, "equality of opportunity," is not nearly as simple as it sounds. Guaranteeing equality of opportunity as between a very poor African American in the inner city and a well-off white suburbanite is a very big commitment involving all sorts of interventions (from prenatal care to adequate policing to decent schools). If you're for equality of opportunity, you have to be in favor of doing a lot more than is now being done to achieve it.

But supporters of affirmative action have to understand its limits. Affirmative action is doing very little to help those inner-city kids whose problems are now the largest cause of racial inequality. And supporters of affirmative action should not write off as racism or sexism the concerns that whites of modest means have over what affirmative action might do to their children's chances of advancement. Such concerns are rooted in rational worries about economic conditions that may make their kids' way harder than it would have been 30 years ago.

President Clinton is thinking about naming a blue-ribbon commission to study affirmative action. If the commission is going to hand out a moralistic report telling us all how to think, it shouldn't waste its time. But if it sees its job as broadening the affirmative action debate to a discussion of how to ensure something closer to equality of opportunity—for an inner-city child *and* that white janitor's son alike—it might do some good.

Richard Cohen

... And Its Excesses

In California over the weekend, President Clinton talked about the storied "angry white men" who are fueling the backlash against affirmative action. This is a "psychologically difficult time" for them, the president said, mangling his social science disciplines. He was actually referring not to the psyche of white men but to their declining economic fortunes. But Clinton failed to note one exception: Rupert Murdoch. Affirmative action may have just made him a bit richer.

Two days before that California speech, Clinton announced he would sign a bill offering a tax break to Murdoch under the provisions of an all-but-dead affirmative action program designed to encourage minority ownership of broadcasting properties. Murdoch is selling his Atlanta television station, WATL, to Qwest Broadcasting, whose principal partner is Quincy Jones. He and some other investors—including Geraldo Rivera—own 55 percent of the company. The other 45 percent is controlled by the Tribune Co., a major media conglomerate.

In a press release, Clinton characterized the bill, H.R. 831, as "the kind of dealing that goes on all the time in Washington." How right he is—or was. Actually, Congress ended the program to encourage minority ownership of broadcast properties, making this one exception. Clinton said he had no choice but to sign the bill, which will allow 3.2 million self-employed Americans to deduct 25 percent of their health insurance.

The bill will save Murdoch's News Corporation Ltd. an estimated $30 million in taxes. Consequently, the price of the station was lowered and the buyers saved money also. But Murdoch's savings, while impressive, are puny compared with the estimated $400 million in taxes Viacom would have saved for selling cable properties to a minority-controlled company. That deal—and all others—was killed in the current Congress. Only one deal made it through. Together, Sens. Bob Packwood (R-Ore.) and Carol Moseley Braun (D-Ill.) inserted the relevant language in the bill and it passed on a voice vote.

Clinton told the California State Democratic convention that the party could not afford to defend every jot and tittle of affirmative action. How right he is. But here was a holdover of the worst of affirmative action—one approved by the GOP-controlled Congress—and, with reluctance, he said he would sign it into law. When I asked a senior White House aide why, the reason given was the tax deductions on health insurance contained elsewhere in the bill.

Okay, sure, that's important. But equally important, I suspect, was the politics of the deal. Murdoch reportedly didn't seek the tax break, but his newspapers are conservative and much beloved by the Republican Party. Jones is a Democratic Party darling, not to mention one of the country's more important African American entrepreneurs. Moseley Braun, the Senate's lone African American, went to bat both for a constituent (the Tribune Co.) and for Jones. With Jesse Jackson sounding like a presidential candidate again (he says he might run if Clinton abandons affirmative action), Clinton had ample reason to hold his nose and take out his pen.

This, I emphasize, is sheer conjecture. But as long as we're guessing, why not speculate how Clinton might have vetoed this bill as an example of affirmative action run amok. After all, neither Jones nor Rivera, not to mention the Tribune Co., is anyone's idea of minorities who need government help. Even the proposition that, somehow, minorities in general benefit when one of their number owns a broadcast property is arguable. Sometimes, minorities are asked to front for white owners. Any way it turns out, the audience gets the same old programming.

Newt Gingrich, who has a book deal pending with a Murdoch publishing company, said he had no hand in H.R. 831—and there is no evidence to prove otherwise. Yet, the stated intent of Gingrich and his GOP majority was to end such deals. Where was his vaunted tongue this time?

It is the president who loses big on this one, though. It would have been wonderful if Clinton had planted his feet firmly in the wet cement of principle and vowed to send the bill back to Congress. Instead, he once again tried to have it both ways—by denouncing the bill but promising to sign it. He passed up a chance to deal with precisely the sort of affirmative action program that has polluted the whole concept. H.R. 831 doesn't just give angry white males a "psychologically difficult time." It sends most Americans right up the wall.

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THE WASHINGTON POST
TUESDAY, APRIL 11, 1995

Capital Notebook

GOP to Corporations: Do the Right Thing

By Guy Gugliotta
Washington Post Staff Writer

This week House Republicans are back home on vacation, trying to figure out how the Clinton administration managed to bring the Easter bunny and the tax collector together on the same weekend. What a way to make America feel cuddly about contributing to big government!

And personal income tax isn't all there is to it. As House Majority Leader Richard K. Armey (R-Tex.) pointed out in a March 24 letter to GOP House colleagues, Forbes 250 corporations have an irritating habit of giving money to liberal organizations, the lefties who think big government is the solution to everything.

"One might expect corporate contributions to favor advocacy on behalf of free market policies," Armey said. "But the evidence . . . suggests the opposite: Big business is firmly behind the welfare state."

To bolster his case, Armey enclosed copies of the Capital Research Center's "Patterns of Corporate Philanthropy," a conservative publication that rates corporations according to the ideology of their philanthropy each year. "Patterns" concluded that the left gets $3.42 for every $1 that goes to the right.

"I urge you to . . . challenge your contacts in the corporate world to change this disturbing pattern," Armey said. "Voters have demanded an end to big government's high taxes, heavy-handed regulation and welfare-driven cultural decay. With your help, we can reinforce the work ethic and rebuild a prosperous America."

For the GOP, the welfare state thus appears to have replaced the Soviet Union as the source of almost everything bad that happens, whether it's drug trafficking, the 32-cent stamp or Elvis's untimely disappearance. Nobody knows exactly what the welfare state is, but it's always easy to blame.

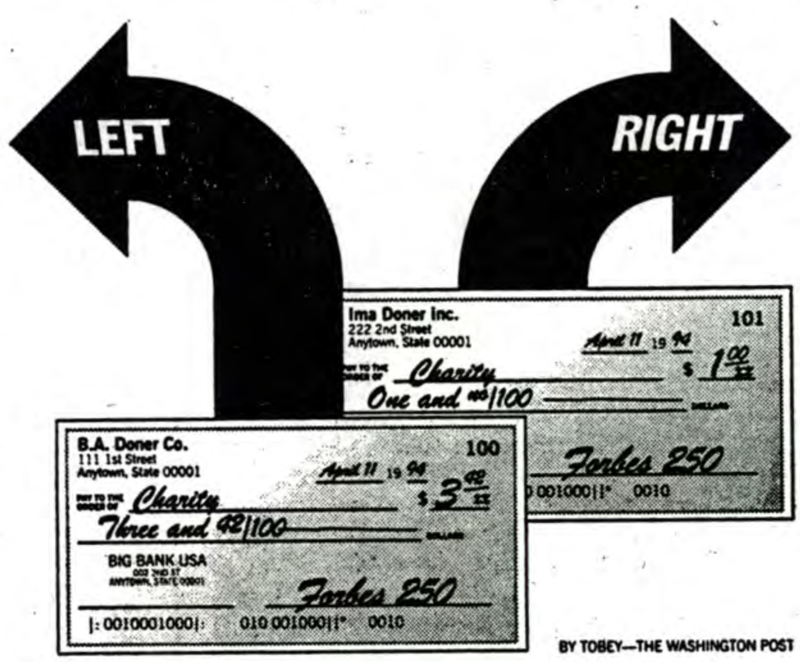
To check on some of these corporate pinkos, The Washington Post called the St. Louis chemical company Monsanto to see if their nearest Republican congressman (Missouri Rep. James M. Talent) had dropped by during spring break for a talk about the firm's "disturbing pattern."

He hadn't, so The Post laid out the damning evidence: a "Patterns" rating of 3.67 out of a possible 10 made Monsanto "center-left." Worse, the company in 1992 gave advocacy groups nearly a quarter of its $571,967 in charitable contributions.

"Patterns" said Monsanto in 1992 donated $10,000 to the Children's Defense Fund, which the GOP suspects of links to COMINTERN (just kidding), and also kicked in for the American Lung Association ($250), the Humane Society, of Greenville, S.C. ($1,100), the NAACP of East St. Louis, Ill. ($500) and other allegedly dangerous groups.

Quite a list. Monsanto spokesman Tom McDermott checked it out, though, and concluded that a lot of what "Patterns" said was wrong. Monsanto had actually contributed $9,931,514 in 1992, and had missed the American Lung Association altogether that year. If Monsanto is liberal, McDermott said, "it's news to me, and I'm here every day."

Never mind. Monsanto's in the book, so color them red, along with Coca-Cola (2.27 rating—"left"), Anheuser-Busch (2.55-"liberal"); Borden (3.12-"liberal") and dozens of others. The leader among "best big corporate givers," according to "Patterns" was pharmaceutical manufacturer Eli Lilly & Co. (7.13—"free market,") with more than $100,000 each to the American Enterprise Institute and the Hudson Institute. No one else was close.



BY TOBEY—THE WASHINGTON POST

> *"Big business is firmly behind the welfare state. I urge you to ... challenge your contacts in the corporate world to change this disturbing pattern."*
>
> —Rep. Richard K. Armey, House majority leader

One big question, of course, is why companies feed the hand that is supposed to be biting them. Armey spokesman Ed Gillespie suggested that many corporate chieftains don't know "the extent to which they are engaged in liberal political agenda settings," but if they did, they'd stop.

This does not appear to be the case with Anheuser-Busch, however, which refused to apologize for contributing $250,000 to the Mexican American Legal Defense and Education Fund. In fact, Anheuser-Busch said in a statement, the company gives to "hundreds of Hispanic organizations."

Okay, let's leave them out. Capital Research Center Associate Stu Nolan, coauthor of "Patterns," suggested that corporate foundations might be run by liberal "true believers" acting as a fifth column within companies.

Then there is "the public relations angle," Nolan continued, "like when oil companies think they can get something by funding an environmental group. They think that maybe if they give the money, these outfits will go away—but they never do."

Finally, there is the Machiavellian approach, in which big companies support big government because big companies are better able to survive in the welfare state: "By creating a statist economy," Nolan said, "they will retain market share while smaller firms get driven out of business."

How's that for welfare-driven cultural decay?

[redacted]

GS

THE PRESIDENT HAS SEEN

4/11/95

TONY SNOW

Perfidious promises of affirmative action

Conservative critics of affirmative action have taken an awful pounding by the Washington establishment. They have violated a key rule of political etiquette by discussing race relations openly.

Fortunately, some things are more compelling than manners, and one of them is truth. The problem with affirmative action, as construed by the courts and practiced by recent presidents, is that it is evil.

It enshrines race consciousness and presumes the inferiority of "minorities." It redefines justice as a mathematical exercise that calculates innocence and guilt on the basis of raw statistics, rather than willful actions. And its dense web of rules and regulations was designed less to promote the dignity of blacks than to stoke the moral vanity of guilt-stricken whites.

Douglass understood what the architects of affirmative action forgot — that freedom offered the only road to true equality before the law.

History makes the point. The original Civil Rights Act of 1964 forbade all forms of discrimination, including racial quotas. But liberal bureaucrats decided the law was insufficiently sweeping and vicious. Alfred Blumrosen, an early powerhouse at the Equal Employment Opportunity Commission, wrote in 1971: "If discrimination is narrowly defined, for example, by requiring an evil intent to injure minorities, then it will be difficult to find that it exists."

Since he believed bigotry infected all of American society, he helped devise a standard that would make it almost impossible not to detect prejudice everywhere. He argued that the government should sue any business that failed to hire designated minorities in proportions roughly equivalent to their appearance in the general public.

The Bush administration included this notion — called disparate impact analysis — in the Civil Rights Act of 1991. As a result, federal law requires racial and sexual quotas, even though it never uses the word "quota."

According to the Iron Rule of Micromanagement, when a law fails to produce the desired results, Congress writes another one. What began as the Civil Rights Act of 1964 thus has blossomed into a vast field filled with inscrutable, constantly changing edicts.

Senate Majority Leader Robert Dole, Kansas Republican, recently asked the Congressional Research Service to list all the statutes and executive orders that require race or sex-based preferences. Investigators found 166, touching upon everything from technical proposals for Agriculture Department grants to nuclear waste disposal.

When regulations become this numerous and exacting, it is impossible to speak of a "spirit" of the law. One can acknowledge only the aura of moral tyranny. As a consequence, the time has come to ask: What is affirmative about affirmative action?

Quotas haven't put an end to disparities in the achievement. Black unemployment fell throughout the 1950s and 1960s — but has remained stagnant since the Nixon administration wrote "goals and timetables" into the law. The main change is that some well-paid minority members now must fight suspicions that they succeeded "only" because of their race. In this way, the quota has helped construct the glass ceiling.

Affirmative action also promotes the Ivy League version of Jim Crow — the slander that minorities can make it in the marketplace only with the help of an aggressive government. According to this view of reality, the law's supposed beneficiaries ultimately owe their success to Uncle Sam's compassion cops, who hold a racist society at bay.

The last line of defense for affirmative action is the claim that it fulfills a therapeutic need by showing that white males care about everybody else. If society wanted to show it cared about people, it certainly would craft something less divisive and more effective than justice-by-the-numbers — like hugs for everyone.

So where should we go? Jack Kemp offers a good starting point: "I'd like to phase out affirmative action," he says, "and replace it with affirmative efforts — offer educational choice, privatize public housing, slash taxes. Do the right things on education, housing and tax policy, and you'll have the highest form of affirmative action."

In other words, acknowledge the dignity of minorities and women. When well-meaning whites asked Frederick Douglass a century ago what they could do to help blacks, he replied: "Do nothing with them; mind your business and let them mind theirs. Your *doing* with them is their greatest misfortune. . . . [The black man] is everywhere treated as an exception to all the general rules which should operate in the relations of other men."

Douglass understood what the architects of affirmative action forgot — that freedom offered the only road to true equality before the law. Then, as now, condescension of the sort that undergirded slavery (and quotas) only prolonged our great national embarrassment — racial discord.

Tony Snow is a Washington-based editorial page columnist for the Detroit News and is nationally syndicated.

[redacted]

POWELL TATE
a Cassidy Company

THE PRESIDENT HAS SEEN
4/11/95

March 15, 1994

95 MAR 20 A 8 : 43

MEMORANDUM

Pls get a follow up plan on this before you leave — it's important. — BC

TO: JOHN PODESTA

FROM: TIM HACKLER

RE: **HARPER'S WHITEWATER PANEL**

John, in case you haven't heard the news on the grapevine, James Stewart, former reporter at the Wall Street Journal, is writing a book about media's coverage of Whitewater. I don't know anything about his approach. He is the author of the book, "Den of Thieves."

Also, thought you might enjoy seeing the attached:

- Correspondence between the Wall Street Journal and Harper's. The Journal refused to allow Harper's to publish.

- Two columns by Gene Lyons, which ran in the Arkansas Democrat-Gazette.

- An ad Harper's is running offering transcripts of the October panel. They say they are getting a strong response.

MR. PRESIDENT:
We need to reenergize our outside activities which have slowed down since Ann Lewis went to Planned Parenthood. I have some ideas.
John

700 Thirteenth Street, NW Suite 1000 Washington, DC 20005
Telephone 202.347.6633 Fax 202.347.8713

Elaborate hoax coming to an end

It's beginning to look as if the Great Whitewater Media Crusade and Snipe Hunt is likely to end pretty much the way some of us skeptics predicted: not with a bang but a whimper. Equally likely, judging by the past week of strained silence on the subject, is that nobody in the press is going to step forward and admit their role in creating and sustaining what has never amounted to anything more than an elaborate hoax. Nobody at *The New York Times*, nobody at *The Washington Post*, nobody at *Time*, *Newsweek*, the TV networks—nobody nowhere.

Indeed, only dedicated readers of *The Wall Street Journal* could possibly know what I'm alluding to: a detailed front-page story with a Little Rock dateline published a week ago today (Feb. 22). Written by *Journal* reporters Ellen Joan Pollock and Viveca Novak, the article's headline read: *Capital Secret: There may be less to Whitewater case than meets the eye.*

Persons expecting high drama when independent counsel Kenneth Starr presents the results of his inquiry into what Republican drum-beaters like Sen. Al D'Amato and Rep. Jim Leach have portrayed as the crime of the century, the *Journal* reporters warn, are apt to be disappointed. "Indeed," they write, as "Starr moves ahead with his investigation and refines his legal case, what is most noteworthy is how many of the biggest Whitewater headlines appear to be heading toward the cutting room floor."

Given the scope and detail of the *Journal* article, three things are immediately clear: First, that Pollock and Novak had sources near the top of Kenneth Starr's operation; second, that Starr appears to be the honorable man everybody said he was; and third, that he's got a ticklish problem with regard to his own political future and looks to be maneuvering for a soft landing.

Anyhow, a quick summary, since the conspiracy of silence that followed the *Journal* article has been all but universal. "A


Gene Lyons

blow-by-blow account of the various charges involved in the Whitewater scandal," Pollock and Novak write, "shows that at this point, investigators have found little evidence to support many of the sexiest, most publicized allegations."

Did S&L mogul Jim McDougal funnel illegal money into Bill Clinton's 1984 gubernatorial campaign? Apparently there's one possibly fishy check purchased in the name of the late Sen. J. William Fulbright, but "no evidence ... that Clinton campaign workers knew of any wrongdoing."

Were Hillary Clinton's commodities trades illegal? "For all the ballyhoo ... no one has offered any proof that a crime was committed."

Was there a cover-up in Vince Foster's death? "Mr. Starr ... has no quarrel with Mr. Fiske's results." Special counsel Robert Fiske had found that Foster's tragic suicide was due to depression, not Whitewater or anything else relating to the Clintons' affairs.

Starr has presented witnesses to the grand jury, the *Journal* reports, only "to give these conclusions more validity, in a bid to silence conspiracy enthusiasts."

Did the Rose Law Firm shred incriminating documents? Investigators found no evidence "that the shredding was anything but the routine disposal of documents, and aren't currently pursuing the matter."

Did Hillary Clinton's representation of Madison Guaranty S&L in a minor state regulatory matter constitute conflict of interest? "Criminal investigators have stopped asking about the episode, and ethics experts ... see no problem."

Does anybody believe David Hale's allegations that then-Gov. Clinton urged him to commit federal bank fraud? "So far it appears that no witness has come forward to back up Mr. Hale's account ... And Mr. Hale himself isn't an ideal witness."

Will presidential aide Bruce Lindsey take the fall for alleged campaign financing irregularities? Apparently not. No wrongdoing, the *Journal* reports, can be proved.

Can Hillary Clinton be blamed for Madison Guaranty's losses, since she was one of their attorneys? "That, too, would be difficult, as Mrs. Clinton appears to have had little knowledge about Madison's management."

Does the removal of documents from Vince Foster's office constitute evidence of a White House cover-up? Well, beyond the question of how and why anybody would conceal evidence if they hadn't done anything wrong, Starr's investigators have apparently drawn a blank there, too. The documents went into a closet temporarily because the Clintons' lawyer, David Kendall, wasn't immediately available. "If no documents are missing," the *Journal* concludes, "it will be difficult to press charges."

So there you have it, conspiracy buffs, the impending, highly predictable and farcical implosion of what can only be described as the most successful Republican dirty trick in history. Aided and abetted by all of the above-mentioned media giants, who will now fall into damage control mode and find some way to blame the White House. After all, "Beltway cognoscenti" and "hundreds of journalists covering the affair," the *Journal* reporters write, have known for some time that Whitewater would eventually come to almost nothing.

So have they no shame? Not a blessed particle.

◆

Gene Lyons is a Little Rock author. His column appears every Wednesday.

A need for Victorian hypocrisy

Gene Lyons

By coincidence, your friendly neighborhood columnist here had a conversation with Betsey Wright about three weeks ago on the subject of President Clinton and the so-called "character" issue, with specific reference to Paula Jones and her pals among the Arkansas State Police. What Wright told me was exactly what she now insists she told David Maraniss, the *Washington Post* reporter and author of the new Clinton biography "First in His Class."

She had always suspected, Wright said, that some of the troopers used their jobs to hustle groupies and impressionable young things who hovered around the governor. But she never suspected Clinton himself of partaking in such dubious pleasures. Indeed, Wright insisted that keeping the Gennifer Flowerses and Paula Joneses of this world from making full-time pests of themselves kept Clinton's staff busy all the time.

As the world knows, Maraniss' oddly understated version had it that the governor and the troopers procured bimbos for each other. "Understated," that is, because the allegation occupies brief paragraph in a 400-page book, advances no specifics and contains no direct quotes.

Many have speculated that Maraniss must have taped Wright's comments — which would contradict everything she and Clinton have said previously. But that appears not to be so. Given that he *had* to realize that the passage would generate instant headlines (and lots of free publicity), everything about the way Maraniss handled it strikes me as exceedingly curious. What Wright told me, however, squared with my own long-standing, purely scientific interest in the whole question of sex and celebrity. Indeed, it's been almost 15 years since I formulated what I call "Eugene's First Law of Sexual Economics" while covering a pro bass fishing tournament in Tennessee.

Observing that a fair proportion of the spectators at the BassMaster Classic on Lake Cordell Hull neither looked like outdoors persons nor displayed much interest in lures, tackle boxes or trolling motors, no great acumen was needed to realize that the young women were trolling for something else. Specifically, the amorous attention of the bass jocks, with their year-round tans, fighter pilot costumes and semi-showbiz lives.

Remember, some of these old boys have six-figure incomes and their own TV shows — not to be sneered at in Cookeville, Tenn.

Anyhow, Eugene's First Law holds that "if there's anything one man can do better than another, there's a woman who will sleep with him for it." (Nature has made an exception in the case of newspaper columnists, who lead lives of spotless probity lest they forfeit their vast moral authority.)

Elsewhere, however, access to enhanced mating appears to be the whole point of becoming an Alpha male among us primates. Indeed scholars seeking to know where the Razorback basketball team's get-up-and-go got up and went might well ponder Eugene's First Law.

But I digress. The point is that Wright's original explanation made sense then, and makes sense now. Morality aside, it's hard to imagine a man like Bill Clinton, so consumed by ambition, so elusive and enigmatic to reporters, risking everything for a backroom quickie. (Although it must be conceded that people do nutty things with their clothes off every day.)

What's even harder to picture is Clinton's giving two troopers like Roger Perry and Larry Patterson that kind of power over him. The power, that is, which derives from knowing a humiliating secret with the potential to wreck one's public life. Indeed the troopers told *The American Spectator's* intrepid David Brock that Clinton made them track down a Republican rival's illegitimate child for that exact purpose. Local journalists censored that part on the grounds that nobody but Brock believed it.)

Anyhow, why would Clinton need help? Applying Eugene's First Law, I'm sure women have been trying to trip Clinton and beat him to the floor during most of his adult life. Had the troopers claimed he gave them bawdy winks or asked them to cover for him while he vanished for a while, it might have been credible. That they pimped for him was not. And it's not much more so today, almost regardless of what Wright told Maraniss.

That much said, it's also hard to imagine how a reputable reporter could possibly have misunderstood Wright on a crucial a point. Followup questioning would have beer all but mandatory: How did you know? Or did you only suspect? Did you ever ask him about it? What did he say? Did he ask you to lie for him? Or did you volunteer? Maraniss evidently never asked.

Actually, the whole idea of newspape and TV reporters as moral arbiters is mor than faintly laughable. Newspaper re porters! But the issue, we're solemnly tol isn't sexual fidelity, but honesty. Yeah, sur it is. Circulation and ratings have nothing t do with it. Absolutely nothing. Anyho show me a public figure who's never lie about sex and I'll show you one who oug to be stuffed and mounted.

Seems to me we could all benefit by a l of Victorian hypocrisy here. How's this f a policy: Don't ask, don't tell.

Gene Lyons is a Little Rock author. His column a pears every Wednesday.

Tell us what you think

The *Democrat-Gazette* welcomes your opinions. Unfortunately, not all letters received can be published in the space available. Clarity, brevity and originality are particularly valued in letters to the editor.

Send letters of no more than 250 words to Voices, *Arkansas Democrat-Gazette*, P.O. Box 2221, Little Rock, Ark., 72203.

Please sign your letter and include a daytime telephone num ber for verification. The contents of the Voices page, includin columns and staff cartoons, do not reflect the opinions of th *Democrat-Gazette*, which are found only in the editorial colum of the Editorial page. The views expressed by columnists ar their own.

early 1970s, we remember with acute clarity (and considerable pain) the gloomy prognoses handed down by various "professionals" at that time. "Institutionalize your son immediately, before a bond is established," said one of our obstetricians. "He will never walk or talk, read or write, or have a single meaningful thought. Put him away and tell your friends and family that he died in childbirth."

It took all of our strength to make the then radical decision to disregard professional advice and take our sons home. And we discovered, as Michael Bérubé reported, that the first few years of early-intervention programs (very new and experimental in those days) kicked off a period—and climate—of growth, education, and development that continues to this day.

What we have learned in the past twenty-odd years is that individuals who have Down syndrome are just that: individuals. They have the same hopes, dreams, goals, and feelings as anybody else. Like those who do not have Down syndrome, they have a tremendously wide range of interests, opinions, and abilities. Our own sons, Jason (now twenty), and Mitchell (now twenty-three) are as different from each other as can be.

Our boys have proved the professionals wrong on countless occasions. Not only did they learn to read and write but they flourished in both special and regular education, culminating with their graduation from high school and, in Mitchell's case, fully independent living. Their most recent achievement has been the writing and publication of a book—*Count Us In: Growing Up With Down Syndrome* (Harcourt Brace, 1994). This landmark volume yields insights into the innermost thoughts of individuals with developmental disabilities.

One of Jason and Mitchell's most impressive attributes is their deep sense of "mission," their fervent commitment to eradicating the negative stereotypes and misconceptions that continue to surround Down syndrome. Through speeches and radio, television, and newspaper interviews, they have been carrying a hopeful message to the world: full entitlement for individuals with disabilities. These two young men, once written off by the "experts," have, in fact, *become* the experts and have made the world a better place.

Emily Perl Kingsley
Charles R. Kingsley
Chappaqua, N.Y.

Barbara Levitz
Jack Levitz
Peekskill, N.Y.

Last December, after a member of our family gave birth, prematurely, to a son who has both Down syndrome and other severe physical complications, we passed around Michael Bérubé's essay to read. Each of us found a quiet corner by ourselves to take in each word and study every photograph of Bérubé's son James.

Like James, Aidon was placed in an intensive-care unit immediately after his birth, connected to several IVs, monitors, oxygen, and machines. His mother and father sat by him for much of the day, returning home at night, exhausted, to their other child, a two-year-old confused by the break in routine.

The multitude of doctors, giving what often seemed to be conflicting diagnoses and suggestions, so far have been unable to tell us how long we will have with Aidon. But what is most important is the way each member of the family has been touched by the birth of this child.

We have all learned that Down's is the least of our worries. The physical complications (both related and unrelated to Down's) have carried us through a range of emotions. Thankfully, the child is in no pain; the pain is in *us* as we imagine life without him at home. Each of us relates to Bérubé's observation that "there are days . . . I catch myself believing that people with Down's are here for a specific purpose." And we think, "Not one, but many."

Vivian Norris-Schwinn
Seattle

Darkening Skies Over California

Peter Schrag's essay "California's Elected Anarchy" [November 1994]

HARPER'S
MAGAZINE

February 27, 1995

Mr. Ned Crabb
Editor, Letters to the Editor
The Wall Street Journal
200 Liberty Street
Editorial Page
9th Floor
New York, N.Y. 10281

Dear Sir:

Until I read your recent report about how "There May Be Less to Whitewater Case Than Meets the Eye," (front page, February 22nd) I had thought it was customary for newspapers to name their sources when borrowing extensively from the work of other journalists in other publications. Apparently I was misinformed, or maybe I missed the most recent change in the rules. Even so, I'm impressed by your gall. You retell a story told five months ago in in Harper's Magazine -- a story subsequently repeated on seven different occasions in the form of a two-hour discussion broadcast to a national audience on C-Span -- and then you present the story under the headline "Capital Secret."

What secret? Secret from whom? One of your own reporters took part in the forum discussion at the National Press Club in Washington on October 25th, a discussion in which Gene Lyons, the author of the article in Harper's Magazine set forth all of the arguments about the futility of the Whitewater investigation -- the lack of evidence, the dubious motives of the news media promoting the scandal, the absence of any crime chargeable to the accounts of President or Mrs. Clinton -- that now, five months later, you discover to be "Washington's biggest open secret" and re-package as urgent and late-arriving news.

The reporter that you sent to the press club didn't stay to listen to the whole of the discussion and so failed to hear corroborations of Mr. Lyons' statements from representatives of Business Week and CNN. At the time I didn't know why he left so hurriedly, like a man fleeing the din of blasphemy with his hands over his ears. Maybe he knew that he wasn't supposed to hear any stories that your paper was classifying as secret and hadn't yet elevated to the status of news. Evidently you reserve the right to make the world in your own image, but I await with no small anxiety the awful day when you see fit to inform your readers of the death of Teddy Roosevelt.

Very sincerely

Lewis - L.

Lewis H. Lapham
Editor

LHL:dk

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PAUL E. STEIGER
MANAGING EDITOR

March 7, 1995

Mr. Lewis H. Lapham
Editor
Harper's Magazine
666 Broadway
New York, NY 10012

Dear Mr. Lapham:

Your Feb. 27 letter to Ned Crabb was referred to me for reply.

As I understand it, you feel our Whitewater article Feb. 22 should have mentioned Harper's because it also had a Whitewater article five months ago. By that standard, almost any article in any publications would be required to carry footnotes about earlier articles on the subject.

Our article, in fact, was based totally on original reporting and borrowed nothing from the Harper's article. The Harper's article took issue with reports of others, mainly Jeff Gerth of the New York Times, accusing them of overstating the magnitude of the Whitewater case. The Journal article, in contrast, analyzed the current status of the legal issues and concluded that a criminal case could be brought against those involved in the collapse of Madison, but probably would not be brought against the Clintons.

It is most curious that the author of the Harper's article, Gene Lyons, obviously doesn't share your disdain for our story. He quoted liberally and admiringly from the Journal article in his column March 1 in the Arkansas Democrat-Gazette.

As for why a reporter, who was not involved at all in the preparation of the Journal's Feb. 22 article, might have left the National Press Club meeting on the subject Oct. 25 in midsession, I can only suggest that reporters on daily papers have daily deadlines, unlike reporters on Harper's or Business Week.

In short, I think you ought to apologize for your grumpy, tendentious, inaccurate and ultimately preposterous comments.

Sincerely,

Saul G Stein

CC Ned Crabb

HARPER'S
MAGAZINE

March 14, 1995

Mr. Peter R. Kann
Chairman and Publisher
The Wall Street Journal
200 Liberty Street
New York, N.Y. 10281

Dear Mr. Kann:

I thought you might be interested in the enclosed exchange of letters between Lewis Lapham and Paul Steiger on the matter of Whitewater debunking and the Wall Street Journal's decision not to credit Harper's Magazine for its original reporting. Reasonable people, of course, can disagree about the ethics of borrowing information or ideas. As a young newspaper reporter in Washington and Chicago, I was urged by my editors, if at all possible, never to give credit where credit was due the rival daily. As to newspapers crediting magazines, the standards were somewhat different; certainly noting the contribution of a monthly magazine five months later was not considered a threat to the survival of any newspaper I worked for, including the Wall Street Journal.

Nothwithstanding these differing customs within the press, I find it truly astonishing and arrogant of Mr. Steiger to refuse to publish Mr. Lapham's letter. Ever since I worked as a summer reporter for John McWethy in your Chicago bureau, I've maintained my respect for the separation of the editorial and news pages at the Journal. The letters section, I thought, was independent of the whim and vanity of the managing editor. Letters to the editor, I believed, were meant to be an outlet for readers outraged by what they perceived to be outrageous acts by the editor and his staff. I'm sorry to learn this isn't the case at your paper. Mr. Steiger's attitude seems to be that anyone with the effrontery to criticize the conduct of the Wall Street Journal must be a crackpot or a terrorist.

You'll see from the enclosed USA Today op-ed piece by Susan Estrich that others have noted the remarkable similarity between your paper's conclusions and ours from five months earlier. So there's really no point in pretending our reporting went unnoticed by Mr. Steiger or

666 BROADWAY NEW YORK, NEW YORK 10012 (212) 614-6500

the Journal reporter who participated in our C-Span forum.

Very sincerely yours,

John R. MacArthur

John R. MacArthur
President and Publisher

JRMacA:dk
encl.
cc: Paul Steiger

Call off ethics 'inquisitions'

Wielding unproven charges as political weapon scares potential leaders away from government service

LOS ANGELES — "Who is Vincent Foster?" was the most famous in a long series of editorials in *The Wall Street Journal* attacking the president, the first lady and their associates for supposedly violating legal and ethical standards in office.

After the death of Foster, former deputy counsel in the Clinton White House, in the summer of 1993, the *Journal* openly speculated that he had been murdered because of Whitewater.

Just one problem. The truth.

"Capital secret," said the headline on Page One of last week's very same *Wall Street Journal*:

COUNTERPOINTS

By Susan Estrich

"There May Be Less to Whitewater Case Than Meets the Eye. Political Fallout Could Hurt Clintons, but Prosecutor Finds Many Dead Ends."

Sorry, Vince.

Gene Lyons, a respected Arkansas journalist writing in *Harper's* last fall, reached the same conclusion about Whitewater in an exhaustive look at *The New York Times*' overblown coverage of the scandal.

But does it matter?

Will it stop Republicans from holding hearings on Whitewater as close to the 1996 presidential election as they can get away with to maximize the embarrassment to the president?

Will it stop Senate Banking Committee Chairman Alfonse D'Amato, R-N.Y., who's been burned himself by unproven ethics charges, from doing the same thing to the Clintons?

Will it cause the media to slow down in reporting the next round of charges and allegations?

Probably not. There's no ethics when it comes to making ethics charges.

Democrats who believe former speaker Jim Wright, D-Texas, was driven from office unfairly based on ethics charges brought by Newt Gingrich, R-Ga., are doing their best to do to the new speaker what he did to the old one.

What's good for the goose is good for the gander. But is it good for the country?

By Reuters

AP

By Tim Dillon, USA TODAY

ETHICS TARGETS: Nobody is safe from unfair ethics charges, says columnist Susan Estrich. Former White House deputy counsel Vince Foster, top left, was targeted on Whitewater and the travel office firings. House Speaker Newt Gingrich, above, has complained that charges leveled against him have been unfair, though many Democrats believe Gingrich was principally responsible for the ouster of former House speaker Jim Wright, bottom left, shown announcing his resignation in 1989.

Gingrich complains that the charges against him are overblown and politically motivated. What else is new?

Is it pure coincidence that Ron Brown, the widely respected secretary of Commerce who was reportedly ready to chair the president's re-election efforts, finds himself instead the target of investigations by Republicans in the House?

"Ethics" has emerged as just one more tool in the perpetually negative campaign, a handy sword wielded by cynics who'd rather destroy their opponents than debate them, egged on by an intensely competitive press corps that cannot resist a good confrontation.

The purpose of high ethical standards is to have good people in government, not to drive them out or scare them away.

Who with a successful career in business or in politics could survive the microscopic second-guessing of all their guilt by association that comes next, or the reporting of rumors as truths in overblown headlines? This is what today passes for high-minded ethical policing.

Of course we should demand honesty and fair dealing from our leaders. But we also should expect honesty and fair dealing from those who seek to exploit the ethics issue for their own political or Pulitzer seeking advantage.

"What is most noteworthy," *The Wall Street Journal* report concluded last week "is how many of the biggest Whitewater headlines appear to be heading toward the cutting room floor. ... The juiciest allegations, such as those stemming from the first lady's commodities profits or the shredding of mysterious documents, have been all but discarded by criminal investigators."

If Newt Gingrich violated the law, he should be punished. So, too, for anyone in the administration.

But until there is proof, call off the inquisition; hold the headlines and editorials. Let them do their jobs.

Vincent Foster was an honest lawyer who didn't understand just what ethics means in Washington, D.C.

COUNTERPOINTS' four columnists provide views from diverse perspectives on today's issues. **Mondays:** Tony Snow. **Tuesdays:** Michael Gartner. **Wednesdays:** Linda Chavez. **Thursdays:** Susan Estrich.

Michael → HUD has some ideas worth mentioning getting into column

capital because of the lack of modern financial and legal systems, and physical infrastructure challenges.

* HUD's reinvention plan will consolidate all Native American programs into one office. Set asides under the Community Opportunity Fund and Affordable Housing Fund are increased from 1 percent in FY 1995 to 1.5 percent in FY 1996, which means $172 million more for Native American housing production and community development. HUD has also proposed a 1.5 percent set-aside in each fund for Native American technical assistance. To increase homeownership and economic development in Native American communities, HUD will continue the successful Loan Guarantee program and encourage the development of a Native American Finance Service Organization (NAFSO) to provide technical assistance to create lending institutions.

These program reforms will provide extensive benefits for Native American nations, such as the Oglala Sioux Reservation, in South Dakota. The Oglala Sioux will have the ability to develop a Consolidated Plan for comprehensive housing, community infrastructure and economic development needs. They will have the flexibility to implement the tenets of self-governance by developing a program to use grant dollars on priorities the Nation deems most important, without a great deal of federal oversight and interference. Paul Iron Cloud, Executive Director of the Oglala Sioux Indian Housing Authority, sees HUD's reinvention as a dynamic opportunity for advancing housing and community development throughout Indian Country. For information, contact Paul Iron Cloud, 605-867-5161.

Transformation of Public Housing

7. Opportunities for Working Poor: Helping People Help Themselves

Good

Public housing was intended to be transitional housing, not permanent housing for America's poorest families. HUD is returning to the original notion of public housing -- a first step on the ladder of self-sufficiency.

* HUD's new proposal will allow PHAs to issue up to half their certificates to working families and those preparing to enter the workforce.

Many cities, including New York City, have instituted a policy to accept a certain percentage of working families into public housing. Chairman Reuben Franco of the New York City Housing Authority says residents of public housing should reflect residents of the community at large. He believes there should be a healthy economic mix of working and non-working families to add vitality to a community. For information, contact Reuben Franco, 212-306-3000.

8. Making Work Pay: Ceiling Rents and Removing Obstacles to Work

Currently public housing residents frequently are discouraged from working, because HUD regulations require that they pay 30 percent of their income in rent despite the value of the apartment. Residents who do work often experience dramatic rent increases, a difficult problem given the modest nature of their discretionary income. In addition, as their rent increases dramatically with employment, residents incur new expenses -- for child care, clothing and transportation to work. Although their living conditions have not improved, they are left in financially worse shape than when they were unemployed. Some low-income married residents report that spouses live separately when one obtains temporary work, because the rent rises sharply, even though the job is only short term.

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From Reinvention to Action:

15 Ways the New HUD Helps People

In March 1995 the U.S. Department of Housing and Urban Development sent to Congress a comprehensive plan to reinvent the agency, its programs, and its approach to people and the communities in which they live. This plan has three major components:

- Consolidation of programs into three major performance funds -- Affordable Housing Fund, Community Opportunity Fund, and Housing Certificates Fund;
- Transformation of public housing and the creation of choice and mobility for families; and
- Formation of a government-owned federal housing insurance corporation that will join with public and private partners to help achieve an all-time high homeownership rate.

Following are just some of the concrete ways this reinvention helps people.

Program Consolidation

1. Program Consolidation: Hindrance to Help

Critics often say HUD has an overwhelming number of programs, with estimates ranging from 60 to 240, that have done little to help address community needs in a comprehensive way. HUD's reinvention plan simplifies programs while providing greater local flexibility.

* HUD will consolidate 60 active programs into three new performance-based funds; phase out 29 inactive programs; terminate 37 duplicative or obsolete programs; and consolidate 16 technical assistance programs into a simplified support system for each new fund.

No longer will Philadelphia, a leader in coordinating city, nonprofit and neighborhood groups to address housing and community development needs, have to spend unnecessary time applying for multiple grants throughout the year, filling out paperwork, administering disparate programs, and attempting to plan around non-guaranteed sources of federal funds. In short, Philadelphia and other cities will be able to concentrate on the real issues at hand -- solving the problems of communities -- not the pursuit of money. John Kromer, Director of Philadelphia's Office of Housing and Community Development, looks forward to these changes and what they can do for Philadelphia's efforts to address community needs. For information, contact John Kromer, 215-686-9750.

2. Community-Based Consolidated Planning: Simplicity and Flexibility

Today communities must submit many applications and plans to receive community development, homeless, and economic development funds from HUD. For too long, the sheer number of HUD programs has stifled innovation and creativity within communities.

* The new Consolidated Plan condenses 12 separate HUD programs and applications into one application and one plan. This greatly simplifies the process for communities and reduces lengthy and burdensome paperwork requirements. Communities will now be able to develop a vision and strategy to address locally identified needs. In addition, HUD has developed innovative computer software with mapping capabilities to enable communities to develop and submit their Consolidated Plans to HUD on disk. Citizen participation will be significantly enhanced through innovative technology such as the InterNet, satellite television networks, and interactive cable television.

Gary, Indiana, recently submitted a Consolidated Plan that outlines the city's housing needs, a continuum of care approach to address homelessness, economic development strategies undertaken by nonprofits, and a comprehensive medical services program for at-risk populations. Gary's Consolidated Plan is innovative, streamlined and flexible.

3. Community Partnerships: Nonprofits Making A Real Difference

Over 3,000 nonprofit community development corporations in cities and rural communities across America are producing housing and providing services for low- and moderate-income Americans. Community development corporations have created thousands of units of affordable housing and have initiated innovative economic development projects.

* HUD wants to build on the success of nonprofit community development by directing 30 percent of the Affordable Housing Fund to the nonprofit community development sector. This represents an unprecedented resource commitment to nonprofits at the community level.

In a community such as Chattanooga, one community-based organization has made a real difference. Chattanooga Neighborhood Enterprise (CNE) has helped more than 3,000 families move into decent and affordable housing since the organization was founded in 1986. In the past year alone, 342 families became homeowners and 146 homebuyers renovated their homes. For information, contact Leigh Ferguson, CNE Executive Director, 615-265-4114.

4. Rewarding Performance: Bonus Funds for Communities

The essence of President Clinton's new approach to government borrows from a concept long embraced by the private sector: rewarding good performance. HUD will reward excellence in management in the Community Opportunity Fund through a proposed bonus pool for good performers in the community development block grant program. This bonus pool will give good performers the opportunity to compete for additional funds to develop large-scale job creation projects in distressed areas and address problems such as environmentally contaminated land known as brownfields.

The City of Louisville, for example, has been contending with significant environmental contamination that has hampered housing development and economic development efforts. With a performance bonus pool, Louisville could compete for funds to begin to address brownfield problems. For information, contact Caroline Gatz, Special Assistant to the Mayor, 502-574-4210

5. Homeless Consolidation: Implementing Continuum of Care

Reducing homelessness is HUD's number one priority. Until now, specialized homeless programs with separate program rules and narrow regulations have encumbered local governments and community-based nonprofits that seek to provide comprehensive services for this needy population.

* But now, HUD's proposal will consolidate HUD's six McKinney homeless programs into a single Homeless Assistance Fund. This consolidation will enable localities to shape a comprehensive, coordinated "continuum of care." Funds will be allocated to communities through a need-based formula.

Unity, a unique partnership organization in New Orleans, is implementing the continuum of care strategy by providing a seamless web of housing, services, and job training. Unity brings together the private sector, the federal and local government, and the nonprofit sector in the financing and delivery of services to the homeless. Executive Director Peg Reese praises HUD's efforts in developing the continuum of care: " . . . the federal government, under Secretary Cisneros' leadership, has given communities the tools to design and complete their own continuum of care strategy. Since the phenomena of homelessness began a decade ago, the support that we have gotten from this Department has made more impact than at any other time." For information, contact Margaret Reese, Executive Director, 504-821-4496.

6. Native American Reforms: Increasing Opportunity

Native American must content with some of the worst housing conditions in America. Unemployment rates are high and jobs are rare. Native American communities also have trouble attracting private

Changing the rent rules so that there is a maximum rent that is phased in, rather than a dramatic increase at one time when a resident finds a job, in addition to providing preferences for working families, will encourage working residents to remain in good public housing. This will increase the occupancy of public housing developments by people with a broader range of incomes, which every housing expert confirms is essential to effective housing management. In addition, working families can begin to save money so they can progress to private housing and homeownership and in the meantime provide the needed role models that many public housing communities are missing today.

For information, contact John Hiscox, director of the Macon Housing Authority, 912-752-5070, a leading expert and proponent of public housing rent reform.

9. Empowering Residents to Control Their Destiny: Resident Management

HUD recognizes that the problems of public housing can only be solved with the active involvement and commitment of the residents. A major development of recent years has been HUD's award of grants to more than 300 resident councils for resident activities and organizing.

Working with the new HUD, residents will play an integral role in management. Residents will take responsibility for how their community operates and have a stake in its success -- not just for themselves, but for their neighbors. They will help decide the needs of the community and help set priorities for limited resources. Not only will residents hold the housing authority accountable, but each other as well. Resident councils will have the right to purchase units. And, HUD will work with resident groups to launch a program to find jobs and community service opportunities for unemployed residents.

At Abbottsford Homes in Philadelphia, resident management has helped in addressing the physical upkeep of the property. The grounds are cleaner and most of the graffiti has been removed. Rent collection has improved. Vacancies have been reduced, and the crime rate has dropped by 30 percent.

10. Public Housing Capital Fund: Maximum Flexibility To Improve Housing

Currently housing authorities are required to use one pot of money to repair obsolete buildings and another pot to demolish and rebuild public housing. Because of the unavailability of funds to construct new public housing, housing authorities frequently have no choice but to renovate buildings that because of poor designs and age should be demolished and replaced. The result is money now earmarked for rehabilitation, called modernization funds, is spent to little avail.

In the era of reinvention, HUD's proposed consolidation of all capital funds for housing authorities will enable cities to make appropriate decisions at the community level. This new policy will enable cities to demolish and replace buildings that are unfit for habitation. The flexibility this fund will provide will save money and time.

Rick Gentry of the Richmond Redevelopment and Housing Authority supports any increase in flexibility for housing authorities to deal with particular problems in locally determined ways, including demolition and replacement. For information, contact Rick Gentry, 804-780-4246.

11. End One-For-One Replacement: Eliminating Burdensome Federal Regulations

In Chicago, Philadelphia, Baltimore, and many other cities, a significant amount of uninhabitable housing is draining the resources of housing authorities. Under the one-for-one rule instituted in 1987, every unit of housing to be torn down must be replaced by a new housing unit. Since development funds are very scarce and communities confront local obstacles, such as zoning, land costs and local opposition, they are not able to build new units. Therefore, cities are left with thousands of vacant, obsolete developments that blight neighborhoods.

The key to the new policy is not unit-by-unit replacement but a thoughtful plan to house residents relying on certificates and vouchers. The result will be new housing for residents and greater flexibility for housing authorities in dealing with older developments.

Commissioner Daniel Henson of the Baltimore City Housing Authority has been trying for eight years to demolish the abandoned Fairfield Public housing development. With the one-for-one rule, this has proven to be an impossible task. Commissioner Henson favors using a voucher and certificate system for residents. For information, contact Daniel Henson, 410-396-3232.

Choice and Mobility For Families

12. Certificates: Maximizing Choices For Families

Today's federal rental assistance system too often ignores the dignity of families and prevents people from freely choosing where to live. HUD's proposal will offer Americans in need of the government's housing assistance the same choice and opportunity as all other Americans.

To increase the number of families moving out of severely distressed areas, HUD will authorize cities to use a specified portion of certificates to enable families with children to move from high-poverty to low-poverty areas. Families receiving these certificates will also receive mobility counseling and search assistance. A new emphasis in the Housing Certificates Fund will be HUD's proposal to use a certificate to purchase a home. For families prepared to assume the responsibilities of owning a home, certificates -- traditionally available to pay rent -- can be used for mortgage payments. This initiative provides a great opportunity for families with modest but growing incomes to own their own home.

Andrea Duncan of the Louisville Housing Authority has converted public housing units into condominiums by using HUD funds to rehabilitate and transform units to be sold at affordable prices. So far, 365 renters have become homeowners. For information, contact Andrew Duncan, 502-574-3400.

13. Eliminate "Take One, Take All": Making Certificates Attractive to Landlords

The old way of doing business -- "take one, take all" -- forced landlords to accept all qualified recipients in their rental properties once they accepted one Section 8 tenant. Many landlords were reluctant to join the program because they feared their apartment buildings would lose their mix of renters with varying incomes and would assume the worst characteristics associated with public housing.

Under new guidelines, landlords will be able to accept as many or as few certificate holders as they want. The result will be better management of buildings and a greater universe of landlords willing to participate in the Housing Certificate program.

Following the Northridge earthquake in January 1994, HUD waived the "take one, take all" provision. This flexibility for landlords helped more than 12,000 families move into apartments within several months. It proved to HUD that flexibility matters to landlords because so many more landlords were willing to come to the Section 8 program. For information, contact Steve Renahan of the Housing Authority of Los Angeles, 213-252-2570.

Government-Owned FHA

14. Homeownership: Realizing the American Dream

Every person needs a place to live, to raise a family, and to develop a sense of personal financial security. For most Americans, this "American Dream" is just a dream because vast numbers of households cannot afford decent housing. HUD's unprecedented effort to generate more homeowners than ever before is the purpose and driving force behind the Federal Housing Corporation (FHC), HUD's new vision of the FHA.

HUD's proposed government-owned insurance company, combined with public and private sector partners, will help achieve an all-time high homeownership rate by cutting the amount of down payments for homebuyers, simplifying the process of buying a home, opening new markets, including underserved populations, and conducting education and outreach for millions who don't own a home.

Lydia Maynard, a single mother of three from Washington, D.C., was able to buy an FHA-owned home because this nation has remained committed to a federal role in homeownership. Lydia, a secretary at the Department of Agriculture for nine years, resided in assisted housing prior to the purchase of this home. Using an FHA program that provides additional monies for the rehabilitation of the property, Lydia Maynard has increased the value of her property by over $20,000. The Performance Mortgage Company is one of many partners that has joined HUD in the recommitment to the American Dream. Performance Mortgage helped Lydia purchase her home. Contact Performance Mortgage, 410-825-5700.

15. Reforming Government-Assisted Rental Housing: Saving Taxpayers Money

Taxpayers should not be subsidizing rents that are inflated far over the market price. But, in many instances, this is just what is happening today. Some 75 percent of the rents paid to landlords of subsidized multifamily units exceed the local Fair Market Rents, some by as much as 75 percent. HUD knows that subsidizing rents "above the market" does not necessarily create better living environments, it only costs taxpayers more money.

Therefore, HUD proposes to reduce the debt on the HUD-insured developments in its FHA inventory at a level that will permit the property to operate in the market with a reduced subsidy, or without any subsidy at all. This will save taxpayers billions of dollars.

The situation at Westview Towers in North Bergen Township, New Jersey, is a typical example of this phenomenon. According to HUD's estimates, the rents at Westview Towers are 30 percent higher than market rents. When the Section 8 contract expires in April 1996, the owner understands that under HUD's multifamily restructuring proposal, subsidy income to his development will decrease by over $600,000 per year. For Winchester Towers to remain viable, the first mortgage on this property must be reduced. HUD's proposal will do this.

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PRESIDENT WILLIAM JEFFERSON CLINTON
REMARKS AT THE AMERICAN SOCIETY OF NEWSPAPER EDITORS
DALLAS, TEXAS
APRIL 7, 1995

[Acknowledgements to come.]

I appreciate your having me here today. It means that in the last few hours, you have heard from a sitting President and three people [Kemp, Alexander, Weld on a morning panel] who are, have been or might be Presidential candidates. Now you know what it feels like to live in Iowa.

As I am sure you know, we are about to mark the end of the first 100 days of the Republican Congress. [If you didn't know that, remember you heard it here first.] So much of the coverage of the last few months has been of the disagreements between Democrats and Republicans. And, of course, we have our differences. But put aside all the rhetoric, and it is clear that there is much more that unites us than divides us. In the end, our debate is about how to move forward as a nation into the 21st Century; how to find the right role for our government in these times of change, and how to keep the American Dream alive for all our people.

I ran for President because I believed that the end of the Cold War and the dawn of the Information Age gave us opportunities to live out unprecedented dreams. But I also believed we weren't meeting profound challenges caused by those changes.Opportunities that were once so clear were rapidly slipping over the horizon.

PS Lockhart
Waldman/Lew/
tax cut

For the 12 years before I became President, Republicans and Democrats used each other as excuses for inaction. They reveled in partisan gridlock while they quadrupled the national debt. The middle class worked harder for less. Our families were breaking down. We were coming apart when we needed to be pulling together.

Our mission was to make sure the middle class was not forgotten, that poor people have a chance to work their way into the middle class, that entrepreneurs have every opportunity to be wildly successful. All Americans must take more responsibility to build up their own lives and our country. But our job is to make sure all the people who work hard, play by the rules and raise their children can reap the rewards. That is the American Dream.

This debate we are having is about how our national government can best help do that. Unfortunately, the debate is too often framed in terms that carry us backwards to the same old dead-end. We hear the old Democratic view that defends government at every turn, and the Republican view that attacks government at every turn; one view that says spend more on everything, and another that says spend less on everything.

Both views defy our common experience. We have to reduce government to meet new challenges. And we must invest in our people. But one side of the equation without the other will not do the job. I have worked to get past the old false choice between tax-and-spend on the one hand and trickle-down economics on the other. Everything I have done as President has been about building a limited, but effective government to strengthen an invest-and-grow economy. To do that, we have to meet four goals:

First, we have to create economic opportunity to renew the American Dream for those people who take responsibility. Second, we have to strengthen our sense of security, here at home and abroad. Third, we have to reform our government, to make it smaller and less bureaucratic, to cut yesterday's government so we can solve the problems of today and tomorrow. And fourth -- and most important in the face of the new global economy -- we have to give our people the tools to make the most of their own lives. We have to make sure that throughout this country, people have a lifetime of education and training that will mean the opportunity to compete and win in the global economy.

This is what I mean by the New Covenant: Government's job is to work in partnership with our citizens to create more opportunity, and the responsibility of our citizens is to make the most of it. That combination has always kept the American Dream alive in times of great change, and I believe it will do it again.

I believe it, because we have seen it work in the last two years. These ideas have changed the direction of our economy. We cut the deficit by more than $600 billion. We cut 300 programs from government. We cut taxes for 15 million working families with children, because people who take the responsibility to work and raise their families should never live in poverty. We increased trade opportunities more than at any time in a generation. Today, we have over six million new jobs and the lowest combined rates of unemployment and inflation in 25 years.

Republicans say they want to cut more. In fact, I've already done a lot of the work for them. My new budget reduces the deficit by another $81 billion. It consolidates 400 more programs. And I am open to more. But just as I will not spend blindly, I will not cut blindly. Not for cuts aimed at the education and training of our children and middle class Americans. The fight for education is the fight for the American Dream.

We know that from our own lives. For me, education has been nothing less than the difference between the possible and the impossible. I was the first person in my family to finish college, thanks to money my parents couldn't really afford and to scholarships, loans and a half-dozen jobs. I literally would not be standing here today if not for the opportunity of education. And I'm willing to bet that many of you wouldn't be here either if someone -- a parent, a grandparent, a teacher -- hadn't given you a similar chance. We have all thrived in the light of our parents' sacrifice. For our children, we can do no less. But to do no less, we must, in the global economy, do more.

Despite all the good news, Americans are still deeply uncertain about the future. From the time many of us were born at the end of World War II until the late 70s, the incomes of the American people grew -- and they grew together. Since then, all that has changed: Half of the American people now live on the same or lower earnings than 15 years ago, while others at the top have seen their incomes grow.

Why is that? The technology revolution and the new global economy have divided opportunity at home and around the world. The American middle class is literally splitting apart. And the fault line is education: Those who have it are succeeding; those who don't are falling behind.

Education is the middle class safety net. For us to grow together again, not apart, we must equip our citizens to face the new economy with confidence. And education is as essential to the readiness of the American people in our global economic competition, as a strong arsenal was to our national security during the Cold War. We met the challenge of that era, and we must meet the challenge of this one.

I have done my level best to see to it that our people share in this heritage of democracy. As Governor of Arkansas, I fought special interests to improve our schools and give our people a running start on the next century. I worked with other governors of both parties and with the Bush administration, to write the first national education standards.

Education and training are the embodiment of what I mean by the New Covenant: We can't just take the old throw-money-at-the-problem approach. Everything we do must be guided by the twin principles of opportunity and responsibility.

That responsibility belongs to us all. Most of the greatness of the American idea is beyond the reach of government. It is about what our businesses do to help train our workers, about what our workers do to take responsibility for their own skills and what our families and communities do to help our children.

But government has a responsibility -- as a partner. In 1994, the experts said that we did more for education than had been done in 30 years in Washington. We expanded Head Start. We passed Goals 2000, writing the national education goals into law, but giving local schools more flexibility to use federal money to achieve excellence. We increased apprenticeships for young people who don't go on to college. We expanded the availability of college loans to the middle class, at lower costs and better repayment terms. We established our national service program, Americorps. We have 20,000 Americans working to serve their country and earning money to go to college. [Right here in Dallas, xxxx.]

I am proud to say that every piece of education legislation we passed had the support of both parties. Education has never been a partisan issue, and we dare not let it become one.

Yet in cut after cut on education, I have to disagree with some Republicans. They want to cut Goals 2000, depriving 4,000 schools of money to train teachers and lift standards. I want to strengthen it. They want to cut Head Start. I want to expand it. They want to gut school lunches. I want our children thinking about algebra -- not about where their next meal is coming from. They want to destroy our Safe and Drug-Free Schools program. I want our children to be in a state of mind to learn, not in a state of fear. They want to make middle class families pay more for college loans. I want even more schools to participate in our direct lending reforms. They want to shut down Americorps. I want to encourage more Americans to take responsibility for their country and their lives. On all of this, we just disagree.

Some Republicans want to do this to pay for their tax cuts for the wealthy. We must cut more. But government is not an all-or-nothing proposition. We are cutting spending. We are scaling back government where it is intrusive so that the cleansing light of opportunity shines through. But there is a wrong way and a right way to cut. Cuts that undercut education and training, that sacrifice our future for the sake of a few dollars now, are wrong. We would be depriving our children of what our parents, and their parents, so proudly and selflessly gave to us. It would be a betrayal of our heritage.

I ask you to remember that as we mark the 50th anniversary of the death of Franklin D. Roosevelt in just five days. Many of you probably recall how the world seemed to come to a stop that day. It is striking to look at old news clips, many from papers represented here, and see how, with the last breath of a great man, our hope turned to fear.

But in his genius, FDR had planted the seeds that would grow into new opportunity for Americans coming home from war to take responsibility for building good lives. I am referring, of course, to the G.I. Bill, passed at his insistence. That grand vision brought to us new opportunity for education, new hope for the American Dream, and a renewed faith in the idea of progress.

We must renew that faith again. I am looking for a future for America like the one most of us in this room have known. We can give it to our children, but only if we are tough enough and wise enough and compassionate enough to do what we know in our hearts is right. Together, I believe we will.

Thank you and God bless you.

Leon / Laura
Interesting!

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THE WALL STREET JOURNAL TUESDAY, APRIL 11, 1995

Make Taxes Fair, Not Flat

By ROBERT EISNER

"I want to tear the income tax out by its roots."

—Bill Archer, chairman, House Ways and Means Committee

"America needs nothing less than a completely new tax system."

—Dick Armey, House majority leader

On Dec. 10, 1981, on these pages, Stanford economists Robert Hall and Alvin Rabushka launched a national debate with a proposal to replace the federal income tax system with a "flat tax." The debate has simmered since, boiling up briefly when candidate Jerry Brown recommended a flat tax during the 1992 Democratic primaries in a form that Messrs. Hall and Rabushka did not endorse.

Now it emerges again with the support of Dick Armey. The Armey proposal, introduced last summer, is touted as bringing almost incredible simplicity and fairness to our incredibly complicated federal income tax system and significant, major gains to the efficiency and productivity of our economy.

Too Good to Be True

Mr. Armey's flat tax would replace current individual and corporate income taxes and all of their rates, exclusions and deductions with two new taxes, one on wage income and one on business. The "flat" rate on both would be set initially at 20% but drop to 17% in year three of its implementation on the basis of anticipated spending reductions and productivity growth and resultant tax revenue increases. The Armey bill would allow indexed personal deductions on the wage tax, initially totaling $34,700 for a family of four. There would be no further deductions—none. Not for state and local taxes, IRAs, charitable contributions, mortgage interest, excess health costs, moving expenses. You name it; they would all be gone. And Mr. Armey would also do away with tax withholding. He argues that taxpayers would consider his flat tax so fair and simple—returns could be filed on a post card—that they would voluntarily mail in their checks to the Internal Revenue Service each month!

That 20% rate sounds too good to be true, and it is. Based on the calculations by Messrs. Hall and Rabushka, I find that the Armey bill would require a flat rate of 23% to give revenue neutrality—that is, to collect as much as the current system—an estimate roughly confirmed by the Treasury Department.

But more important, the low rates on wages and pensions are made possible by a vastly increased business tax that is essentially a sales or value-added tax applied to consumption. But as Messrs. Hall and Rabushka put it well, "Businesses don't pay taxes; only individuals do." Most individuals will pay more with the Armey flat tax; the very rich will pay much less.

This results from several critical features. First, the people paying the business-consumption tax, like any sales tax, are those who make the purchases. The poor and much of the middle class consume almost all of their income. The very rich consume much smaller proportions and hence benefit hugely from a tax based on consumption, and domestic consumption at that.

Second, the wage tax that is substituted for the individual income tax leaves all capital income—interest, dividends and capital gains—completely untaxed. This again offers a huge savings to upper income groups but no benefit to the middle classes (or the poor) who receive relatively little in the way of capital income.

> *All income groups up to $100,000, in adjusted gross income, would actually pay more on a revenue-neutral version of the Armey flat tax than under current law.*

Putting IRS statistics of income data for 1991 and 1993 into my computer, I find that all income groups up to $100,000, as measured by adjusted gross income, would actually pay more on a revenue-neutral version of the Armey flat tax than under current law. For those in the $100,000 to $200,000 group, however, the Armey tax would take 16.1% of total income as opposed to 18.6% under current law. And for those in the $200,000-and-over category, the Armey proposal would reduce the current tax incidence to 12.7% of income from 24.4%.

To many, a consumption tax appears desirable. On the one hand, it is thought to encourage investment, which is untaxed. On the other, it appears to tax people only on what they take out of the economy in production for current use.

But there are problems with this, of fairness as well as efficiency. Do we really want to give special incentives to investment by leaving it untaxed? Shouldn't government's costs be shared proportionately by all kinds of production?

The issue of neutrality regarding investment is controversial and complex. Messrs. Hall and Rabushka assert that the 100% initial write-off offers a powerful investment "incentive." The incentive is greatest for long-lived investment. But why should there be any incentive for business investment? And why should it be greater for long-lived investment? Why should business not be left free, without government tilting the playing field, to invest where and to the extent it considers it profitable?

Investment in owner-occupied housing, securing no advantage from the tax breaks to business investment and losing the deductibility of property taxes and mortgage interest, would be discouraged by the Armey flat tax. But owner-occupied housing is one of the best investments we can make in our future. It is subject to minimum obsolescence and provides the most essential services with no cyclical lows. It encourages productive activities of home and neighborhood maintenance. I would prescribe owner-occupied housing as a substitute for many of the monstrous public rental housing projects that plague our inner cities.

And what about the equally important—perhaps more important—investment in education by those who pay tuition in schools and universities or pay taxes to state and local government to provide the education? None of these expenditures would be exempt; all would in effect be classified as "consumption." Indeed, not only would deductions for state and local taxes be disallowed at the individual level. Businesses could not deduct them either, and hence would be paying taxes on the state and local taxes; this double taxation would make all state and local expenditures more costly, whether for investment or to meet current needs. It would seem to contradict the Republican aim of turning over federal responsibilities to the states—although it would fit a goal of reducing government outlays, services and responsibilities at all levels.

Is it fair to tax only consumption rather than all of income, which contributes to wealth? An old joke runs, "I have been poor and I have been rich, and rich is better." Riches convey prestige and power and the ability to add to the future income of oneself and one's children. Income and wealth also permit the acquisition of property—houses, mansions and country homes—that produce nonmarket, untaxed consumption services. And they permit travel and untaxed consumption abroad.

The flat tax would end the deductibility of "fringe benefits." They have become enormous, some 18% of compensation of employees. The bulk of them, I presume, are for health insurance. If such insurance were taxed, much remuneration would be shifted to taxable wages, with the recipients free to decide, uninfluenced by tax considerations, how much they want to spend on health care and how they want to spend it. But this would involve a significant drop in the total, after-tax remuneration of employees.

Further, much health care might become considerably more expensive or even unavailable if no longer provided in group insurance programs at work. We already have what most Americans see as a critical problem of tens of millions without health insurance. Denying tax deductibility to all fringe benefits would almost certainly increase this number.

If we are to go in for sweeping tax reform, we can eliminate all or almost all of the faults in the current income tax system in a way that is fair and efficient. I would begin by throwing out the corporate income tax. Let us then tax individuals on all of the earnings related to business activity—real interest, dividends, and real, accrued capital gains of owners.

I would also eliminate payroll taxes for Social Security. Putting their proceeds in trust funds is an accounting fiction. Our separate set of payroll taxes discriminates against labor income, which is also taxed in the individual income tax, and does so, unlike the "flat" wage tax, with no deductions and hence no progressivity. I would further, like Mr. Armey, remove all taxes on Social Security benefits.

I would, unlike Mr. Armey, retain estate and gift taxes as an instrument of our dedication to a free and fluid society, in which people are led to succeed by their own efforts and we try to moderate the influence of inherited wealth. I would eliminate all other taxes that cannot be justified as user taxes or taxes to attempt to equate individual and social cost; I would increase gasoline and cigarette taxes.

A Progressive Alternative

With the taxation of all capital income (including interest on state and local bonds), we could retain the generous personal allowances of the Armey flat tax, include maintenance of an expanded earned income credit and subsidies to owner-occupied housing, health care, education, and research, and have a really progressive "flat tax." I have estimated, given my larger base, that we could maintain revenue neutrality with the Armey personal deductions and a "flat" rate of 37.6%, or 31.6% without the some $200 billion of subsidies that I would propose.

This flat rate tax, it will be recalled, will replace current individual and corporate income taxes and payroll taxes. It is hence to be compared with a total of 36.7% (22.87% wage tax plus 13.85% in payroll taxes) that the Armey bill, also made revenue neutral, would impose in direct taxes on labor income alone. With all the loophole-closing and the large exemptions, we would have a more progressive tax structure than what we have now.

My proposal offers all of the simplification advantages of the Armey flat tax. It eliminates the monstrous system we have. And it does it in a way that frees efficient market forces and is fair.

Mr. Eisner, professor emeritus at Northwestern University and a past president of the American Economic Association, is the author of "The Misunderstood Economy: What Counts and How to Count It" (Harvard Business School Press, 1994).

Alice

What do you think of this? — BC

THE PRESIDENT HAS SEEN

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James K. Glassman

Why Not a Yen Bond?

"Think it will ever stop raining?" Mark Twain was asked during a week-long soak.

"Always has," he replied.

That anecdote is a good antidote for anyone who believes a particular financial—or political—phenomenon will persist forever. Things change, especially extreme things.

But lately, despite Mark Twain, it's been hard to believe that the dollar will ever stop falling. Ten years ago, one dollar bought 263 yen; at the start of 1995, it bought 100 yen; on Monday, it bought just 80.

Most Americans seem blithely unaware of this slide, despite the horrifying recent example of Mexico.

Sure, a cheaper dollar does have one good effect: It aids exports by making U.S. goods cheaper abroad. But a weak dollar almost inevitably leads to inflation and higher interest rates at home. And a dollar that can't find a level against other key currencies creates uncertainty that deters investment.

Treasury officials insist that they want a strong dollar. The markets have overreacted, they say, and the dollar is undervalued; it's cheap because it's being driven down by speculators. This thesis may be correct, and, if it is, there's a step the United States can take that could save taxpayers billions of dollars, break the backs of the speculators and bring stability to the markets. But it's a step that requires imagination and courage—traits in short supply among Washington's top economic policymakers.

Here's what the Treasury could do: Sell U.S. bonds that are denominated in yen instead of in dollars. Selling bonds in another country's currency is a common practice throughout the world, though our Treasury hasn't done it in 15 years. Those "Carter bonds," in Swiss francs and German marks, were a success. They allowed the United States to raise money at low rates of interest, and since the dollar turned around after the bonds were issued, it was less expensive to repay the principal on maturity.

The idea of issuing "Clinton bonds," or "Rubin bonds," in yen has a strong advocate in Joseph Rosenberg, chief investment strategist for Loew's Corp., the $50 billion insurance and tobacco conglomerate chaired by Laurence Tisch, who also heads CBS Inc.

Rosenberg suggests the Treasury issue a heavy dose of yen bonds—$50 billion to $100 billion worth. The interest savings would be enormous when compared with issuing the same bonds in dollars. The Japanese government currently has to pay only about 2.1 percent interest on bonds it issues that mature in three years. Similar dollar bonds issued by the United States must carry a rate of 6.7 percent to attract investors.

Assuming we're as creditworthy as Japan, $50 billion of yen bonds would save the U.S. Treasury $2.3 billion a year in interest payments. At maturity, lenders would have to be paid back in yen, but even if the dollar fell another 14 percent, the Treasury would break even on the deal. If the dollar bounced back to 100 to the yen, the Treasury would score a capital gain of $10 billion.

But, just as important, by selling yen bonds, the Treasury would be making a powerful statement of confidence in the dollar—"a sign of belief in your own rhetoric," as Rosenberg puts it.

Right now, the markets aren't convinced. Recent interventions by the Treasury—buying a few billion dollars here and there—really aren't effective. But by putting our money where our mouth is with Rubin bonds, we might be able to end the speculation that's been driving the dollar down.

There's one more advantage of Rubin bonds: When the Treasury borrows in yen, it doesn't have to borrow in dollars. That might relieve upward pressure on U.S. interest rates.

This strategy carries risks. In the early 1960s, the United States sold "Roosa bonds" denominated in marks, Swiss francs and four other European currencies. But the dollar kept weakening, and the losses to the Treasury were heavy.

Another difficulty is that the press is bound to ask, Why can't the country with the strongest economy in the world borrow in its own currency? (The answer is that, like any smart financier, the Treasury should take advantage of low interest rates and market extremes where it finds them.)

I tested the notion of yen bonds on Steve Hanke, professor of applied economics at Johns Hopkins University and a top investment adviser himself. "In principle," he said, "I completely agree with the idea. In practice, though, I'm short the dollar because I think the administration doesn't give a hoot about it."

That is precisely the impression—now held by currency traders around the world—that Rubin bonds, in yen, would try to reverse. By issuing them, the United States would suddenly have a very large stake in maintaining a strong dollar.

James Grant, editor of Grant's Interest Rate Observer and a historian of debt policy, told me, "I think it's a neat idea," though it would appear "an admission of weakness."

Of course, in a way, we are weak. We're a nation obsessed with consumption rather than saving, and we're running a gigantic current-account deficit (exports minus imports) and federal budget deficit. In recent years, like Mexico, we've been financing those deficits with hot, short-term foreign capital. The long-term solution is to trim government spending and change tax policy to boost saving.

The near-term solution? Well, higher interest rates would certainly keep foreigners interested—but we'd risk a serious recession. That's why Rubin bonds might be worth a try.