

NEWS RELEASE

THE PRESIDENT HAS SEEN

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FOR IMMEDIATE RELEASE:
March 23, 1995

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SENATOR MOSELEY-BRAUN ADDRESSES THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN'S ON AFFIRMATIVE ACTION


AMERICAN
ASSOCIATION OF
UNIVERSITY
WOMEN

Washington, D.C. - Senator Carol Moseley-Braun will address the American Association of University Women (AAUW) today. The Senator's major policy statement is expected to address the continuing need for affirmative action programs and her personal belief that these programs will benefit all Americans.

"America is in the midst of the greatest experiment in the world," said AAUW Executive Director Anne L. Bryant. "While the rest of the world watches, America has admirably sought to reconcile its past discrimination against women and minorities. We have made a commitment to all our citizens to open up the doors of opportunity. And we cannot afford to retreat on this commitment to equality of opportunity."

In 1992, the AAUW released a groundbreaking report on pervasive gender bias against girls in America's schools. *The AAUW Report: How Schools Shortchange Girls* found that teacher-student interaction, textbooks that stereotype women, and gender biased tests contribute to the shortchanging of girls in America's schools. The AAUW research revealed that the glass ceiling is constructed in kindergarten, and not in the corporate boardrooms. Girls and women have been systematically tracked away from the better paying jobs in science and technology and into "pink-collar" ghettos. Women and minorities have only begun to enter the pipeline to higher-paying jobs and better futures.

The recent report by the U.S. Department of Labor's Glass Ceiling Commission adds to the growing evidence that women and minorities are shut out from corporate management. Only 3 percent of senior managers of Fortune 1000 companies are women and minorities. Yet, white male Corporate Executive Officers persist in the mistaken impression that women and minorities have achieved parity in the workplace. Today, women only number 30% of engineers, 31% of scientists, and 16% of physicists.

(more)

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SELECTED AFFIRMATIVE ACTION STATISTICS

March 23, 1995

U.S. CIVILIAN LABOR FORCE

In 1970, white males comprised 55.6% of the total civilian labor force, holding 46,035,000 jobs. In 1990, that percentage was down to 47.5% -- however, the number of jobs held by white males had increased to 59,298,000. **IN OTHER WORDS, WHILE WHITE MALES AS A PERCENTAGE OF THE POPULATION DECLINED OVER THIS TIME PERIOD, THE NUMBER OF JOBS HELD BY WHITE MALES INCREASED.**

In 1970, white women comprised 33.3% of the workforce, holding 27,521,000 civilian jobs. By 1990, that percentage had grown to 38.4%, and 47,879,000 jobs.

Black males, on the other hand, showed a decline over this period. In 1970, they held 5,194,000 jobs, comprising 6.2% of the population. However, by 1990, that percentage had actually declined to 5.4%, and 6,708,000 jobs. **IN OTHER WORDS, DURING THIS TIME PERIOD, DESPITE WHAT MOST PEOPLE WOULD BELIEVE, BLACK MALES AS A PERCENTAGE OF THE CIVILIAN WORKFORCE ACTUALLY DECREASED.**

UNEMPLOYMENT STATISTICS

An examination of historical unemployment tables debunks the myth that jobs are going to black males at the expense of white males. The fact is that unemployment rates for white males have remained relatively steady, while employment rates for black males have increased.

1972 UNEMPLOYMENT RATES:

WHITE MALES: 5.1%
WHITE FEMALES: 5.9%
BLACK MALES: 10.4%
BLACK FEMALES: 11.8%

1994 UNEMPLOYMENT RATES:

WHITE MALES: 5.3% (+0.2% FROM 1972)
WHITE FEMALES: 5.2% (-0.7% FROM 1972)
BLACK MALES: 11.5% (+1.1% FROM 1972)
BLACK FEMALES: 11% (-0.8% FROM 1972)

GAINS BY WOMEN UNDER AFFIRMATIVE ACTION

* Between 1982 and 1987, the number of women-owned businesses rose more than 58%, a rate of growth more than four times the rate for all businesses.

* During the same time period, total receipts for women-owned businesses nearly tripled, from \$98.3 billion in 1982 to \$278.1 billion in 1987.

* As of 1987, women-owned businesses employed over three million (3,102,685), more than twice the 1,354,588 workers employed by women-owned businesses in 1982.

* Total receipts of women-owned businesses in the construction industry more than quadrupled between 1982 and 1987, rising from \$4.6 billion in 1982 to \$20.3 billion in 1987.

* Between 1982 and 1987, the number of women-owned businesses in the manufacturing industry more than doubled, rising from 44,909 in 1982 to 93,960 in 1987. Even more striking was the growth in the total receipts of these businesses; between 1982 and 1987, the total receipts of women-owned manufacturing businesses experienced a nearly six-fold increase, rising from \$5.3 billion in 1982 to \$30.9 billion in 1987.

DESPITE AFFIRMATIVE ACTION, MEDIAN ANNUAL EARNINGS AS A SHARE OF A WHITE MAN'S HAVE ACTUALLY DECLINED FOR BLACK MALES. CONSIDER THESE STATISTICS:

In 1975, black men earned 74.3 percent of what white males did. In 1985, that figure was 69.7 percent, a drop of almost 5 percentage points. In 1993, that figure in 74 percent -- which is lower than the 1975 level.

IN CONTRAST, WOMEN'S EARNINGS AS A SHARE OF WHITE MALES HAVE INCREASED:

White women: In 1975, they earned 57.5 percent of what white men did. By 1985, that figure had climbed to 63 percent, and in 1993, had reached 70.8 percent --- an increase of almost 13 percentage points.

Black women's earnings increased as well, although much more slowly, and less dramatically, than white women. In 1975, they earned 55.4 percent of what white males did. By 1985, that figure was 57.1 percent, and by 1993, it had reached 63.7 percent.

CHANGE IN PERCENTAGE OF THE WORKFORCE -- PERCENTAGE OF BLACK MALES HAS ACTUALLY DECLINED:

In 1970, black males comprised 76.5 percent of those working, or actively seeking work. In 1993, that figure had declined to 68.6 percent. In contrast, white women comprised 42.6 percent of the workforce or job market in 1970, but by 1993, that figure had grown to 58 percent.

Black females also grew as a percentage of the workforce during that period, from 49.5 percent in 1970, to 57.4 percent in 1993.

KORN/FERRY SURVEY: A SURVEY OF SENIOR MANAGERS IN FORTUNE 1000 AND FORTUNE 500 COMPANIES DOCUMENTS LACK OF PROGRESS BY BLACK MALES.

In 1979, 99.1% of senior level male employees were white, while 0.2% were black. Compare that to 1989, when white males had declined slightly to 96.9% while blacks has risen to 0.6% -- still less than 1%!

CURRENT WAGE COMPARISONS

In 1992, white men with a high school education earned just over \$27,000. In comparison, white women earned just under \$19,000, black men earned just under \$21,000 and black women earned just under \$17,000.

WHO DOES WHAT? BELOW ARE STATISTICS ON THE SHARE OF VARIOUS POSITIONS HELD BY WOMEN, BLACKS AND HISPANICS. (KEEP IN MIND THAT WOMEN COMPRISE 51.2% OF THE POPULATION, BLACKS COMPRISE 12.4% OF THE POPULATION, AND HISPANICS ARE 9.5% **NUMBERS FOR ALL POPULATIONS HAVE INCREASED, BUT WOMEN HAVE MADE MUCH GREATER STRIDES.**

DOCTORS: WOMEN: 22.3% BLACKS: 4.2% HISPANICS: 5.2%

COLLEGE TEACHERS: WOMEN: 42.5% BLACKS: 5% HISPANICS: 2.9%

ENGINEERS: WOMEN: 8.3% BLACKS: 3.7% HISPANICS: 3.3%

LAWYERS: WOMEN: 24.6% BLACKS: 3.3% HISPANICS: 3.1%

SCIENTISTS: WOMEN: 31% BLACKS: 3.6% HISPANICS: 1.6%

ARCHITECTS: WOMEN: 16.8% BLACKS: 1.4% HISPANICS: 3.7%

WOMEN HAVE BENEFITTED FROM AFFIRMATIVE ACTION:

Compare these statistics for selected professions, comparing women as a percentage of the workforce in 1972 and 1993.

LAWYERS AND JUDGES: 1972: 3.8% 1993: 22.8%

ACCOUNTANTS: 1972: 21.7% 1993: 49.2%

FOREST SERVICE WORKERS: 1981 27.8% 1991: 43.5%

THE GLASS CEILING IS STILL FIRMLY IN PLACE:

In 1991, the Department of Labor issued a "Report on the Glass Ceiling Initiative." At the time, Senator Dole stated that the report "Confirms what many of us have suspected all along -- the existence of invisible, artificial barriers blocking women and minorities from advancing up the corporate ladder to management and executive level positions . . . For this Senator, the issue boils down to ensuring equal access and equal opportunity."

Has the situation changed since Senator Dole's comments? Are those barriers gone? Consider this:

97% of senior managers in Fortune 1000 industrial and Fortune 500 companies are white; 95 to 97% are male. In Fortune 2000 industrial and service companies, only 5% of senior managers are women, virtually all of whom are white. Women are only 6.2 percent of boards or directors at Fortune 500 and Service 500 companies.

Women are 40 percent of college teachers, but only 11 percent of those with tenure. Women are 50 percent of entry level accountants, by less than 20 percent of accounting firm partners. The net income of women physicians averages 62 percent of men.

A study of one Stanford MBA graduating class found this: Ten years later, 16% of men held CEO titles compared to 2% of women. 23% of males were corporate vice presidents, compared to 10% of women, while 15% of men served as directors, compared to 8% of women.

FOR BLACK MEN, PROFESSIONAL DEGREES DO NOT NECESSARILY COMPUTE INTO HIGHER EARNINGS:

African-American men with professional degrees earn 79% of the amount earned by white males who hold the same degree and are in the same job category.

Facts From the Glass Ceiling Commission Fact-Finding Report
Good for Business: Making Full Use of the Nation's Human Capital

- A 1993 study rated the performance of the Standard and Poor's 500 companies on factors relating to the hiring and advancement of minorities and women. This study showed that companies having successful efforts to eliminate glass ceiling barriers record substantially higher stock market prices than otherwise comparable companies.
- Companies that win the Labor Department awards for exemplary affirmative action programs see an average of .05 percent increase in their stock prices the day following the award's announcement.
- Jobs that become associated with a particular racial or gender category tend to be organizationally stereotyped and valued accordingly.
- Jobs typically filled by minorities and women have short or no career ladders so that few of the people filling them ever compete for the top management positions.
- In 1990, women and minorities earned 46 percent of the master's degrees in business and management. Nearly 25 percent of all college degrees were in business and women and minorities earned more than half of these.
- The total African American male labor force participation rate is 63.1 percent. This represents an increase of 5.5 percent between 1980 and 1990 compared to an overall 4.2 percent increase for whites.
- In 1990, 63.2 percent of African American women, ages 20 to 24, were in the labor force, as compared to 71.7 percent of their white female peers.
- African American men and women comprise less than 2.5 percent of total employment in the top jobs in the private sector.
- African American men with professional degrees earn only 79 percent of the amount of their white male counterparts.
- African American women with professional degrees earn only 60 percent of what white males earn with similar credentials.
- The foremost barrier to the advancement of African American men and women is subtle racism and prejudice.
- A survey of senior level male managers in Fortune 1000 industrial and Fortune 500 service industries shows that almost 97 percent are white; .5 percent are African American; .3 percent Asian; and .4 percent Hispanic.
- African Americans represent a \$257 billion consumer market.
- Women of color often encounter different gender-based stereotypes than those applied to white women along with stereotypes relating to their race/ethnicity.
- About 9 percent of American Indians completed a bachelor's degree or higher in 1990 compared to 8 percent in 1980--still lower than 20 percent for the total population in 1990.
- According to the 1990 Census, only 7,862 American Indians held executive, administrative, or managerial positions at any level, very little of it in the private sector.

- * Most government training programs targeted at American Indians focus on blue collar, craft, or clerical skills, not the technical or management skills necessary for executive level positions.
- * From 1970-1990, Asian and Pacific Islander Americans were the fastest growing minority group. The Asian and Pacific Islander American population doubled to 7.3 million. It is the third largest minority after African Americans and Hispanics.
- * Sixty percent of Asian and Pacific islanders were born outside of the U.S.
- * The Asian and Pacific Islander population is projected to total 9.9 million by the year 2000. This represents a 26 percent increase from 1990.
- * Asian and Pacific Islander men feel that they have more than sufficient educational credentials and experience and still are kept under the ceiling because they are perceived as superior professionals but not as managerial material.
- * Although, Asian and Pacific Islander women continue to lag behind Asian and Pacific Islander men in rates of post-graduate education; women contributed significantly to the increase in the overall representation of Asian and Pacific Islander Americans in higher education.
- * Asian and Pacific Islander Americans represent a \$94 billion consumer market.
- * According to the 1990 Census, the Hispanic population grew 53 percent between 1980 and 1990. The increase to 22.4 million is attributable almost equally to the birth rate and immigration.
- * According to the Census, Hispanic American men have the highest work force participation rate of any ethnic group at 78.2 percent. Hispanics represented 7.9 percent of the total workforce.
- * In 1990, only 370,000 Hispanic Americans had earned advanced degrees now considered essential for climbing the corporate ladder.
- * Most Hispanics are not recent arrivals. Census data indicates that 66.7 percent of the Hispanic were born in the U.S. compared to 33.4 percent that are foreign born. The group with the highest percentage of those born in the U.S. is of Mexican heritage.
- * Hispanic Americans represent a \$175 billion consumer market.
- * According to the Bureau of Labor Statistics, White women represent 77.2 percent of all women in the labor force.
- * Surveys conducted in 1993 by Korn/Ferry and Catalyst shows that women represent 3 to 5 percent of all senior level managers-vice president and above-in the private sector.
- * White women in corporate America agree they have made some movement through the glass ceiling, but do not perceive that the problem has been solved.
- * According to Catalyst, only two women are CEOs in Fortune 1000 companies.
- * Data show that women hold only 3-5 percent of the senior level jobs in major corporations.

- The disproportionate responsibilities maintained by women outside the organization operate as a penalizing factor to their earning potential.
- Only 5 percent of the women who hold those senior level jobs are minority women.
- The largest percentage of women in management is found in the financial services industry.
- For all groups of women -- African American, White, Hispanic, and Asian Pacific -- the percentages in professional, technical, and managerial jobs were generally higher in government and the non-profit sector than in the private, for-profit sector.
- According to Labor Department data, in 1992, 37 percent of executive, administrative, and managerial positions in the private sector were held by white women, 3 percent by African American women, and 1.9 percent by Hispanic women.

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THE WHITE HOUSE
WASHINGTON

17 April 1995

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MEMORANDUM TO THE PRESIDENT

CC: LEON PANETTA
ERSKINE BOWLES
KITTY HIGGINS

FROM: Harold Ickes *(Handwritten signature)*

SUBJECT: Con Edison green card

As you requested attached is the green card printed by Con Edison about the EITC which was apparently sent to each of Con Edison's 2.6 million utility customers in New York City with the February billing.

*Goody for the
program - not
to make for -*

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NEWS FROM

SENATOR CAROL MOSELEY-BRAUN

OF ILLINOIS

U. S. SENATOR CAROL MOSELEY-BRAUN

STATEMENT ON AFFIRMATIVE ACTION
AS PREPARED FOR DELIVERY BEFORE THE UNITED STATES SENATE

March 23, 1995



STATEMENT OF
SENATOR CAROL MOSELEY-BRAUN
ON AFFIRMATIVE ACTION

I. INTRODUCTION -- WHERE THE STATEMENT IS GOING

MR. PRESIDENT, I RISE TODAY TO SPEAK ABOUT WORKING PEOPLE, MIDDLE CLASS FAMILIES, AND JOBS. I RISE TO SPEAK ABOUT THE BASIC RIGHT OF ALL AMERICANS TO HAVE ACCESS TO EDUCATION, TO HAVE THE OPPORTUNITY TO GET A GOOD JOB, TO HAVE THE OPPORTUNITY BE PROMOTED WHEN THEY WORK HARD -- TO DO BETTER THAN THEIR PARENTS DID. WE HAVE COME A LONG WAY IN ENSURING THAT THESE OPPORTUNITIES EXIST FOR ALL AMERICANS; YET MUCH WORK REMAINS TO BE DONE.

I AM HERE TO DISCUSS AN ISSUE OF EQUAL ECONOMIC OPPORTUNITY, AND OF FUNDAMENTAL FAIRNESS -- AN ISSUE THAT DETERMINES WHETHER EACH OF US WILL BE ALLOWED TO FULLY PARTICIPATE IN SOCIETY, REGARDLESS OF OUR GENDER OR RACE, OR WILL INSTEAD BE HELD BACK BY CONDITIONS THAT HAVE NOTHING TO DO WITH OUR TALENTS AND ABILITIES. IT IS AN ISSUE THAT LIES AT THE CORE OF OUR NATIONAL ECONOMIC COMPETITIVENESS. THAT ISSUE, OF COURSE, IS AFFIRMATIVE ACTION.

I AM DISAPPOINTED THAT AFFIRMATIVE ACTION IS THE FOCUS OF SO MUCH ILL CONSIDERED AND DIVISIVE COMMENT. THE FACT IS, AS AMERICANS, WE ARE ALL IN THIS TOGETHER, AND WE ALL HAVE A TREMENDOUS CHALLENGE TO FACE TOGETHER IN THIS TIME OF CHANGE IN THE WORLD, AND IN OUR COUNTRY. AFFIRMATIVE ACTION OUGHT TO BE THE

FOCUS OF OUR COLLECTIVE EFFORTS TO MAKE THINGS BETTER FOR EVERYONE -- IT OUGHT TO BE PART OF A GREAT DEBATE ABOUT THE DIRECTION WE MUST TAKE -- TOGETHER -- TO ADDRESS THE CRITICAL ECONOMIC AND SOCIAL ISSUES OF OUR TIME.

WE HAVE A SIGNIFICANT ECONOMIC AGENDA TO TACKLE. WE NEED TO CONTINUE OUR WORK TOWARD BALANCING THE BUDGET, TOWARD RESTORING FISCAL RESPONSIBILITY TO THE FEDERAL GOVERNMENT, AND TOWARD ENSURING THAT OUR CHILDREN -- AND THEIR CHILDREN -- WILL NOT BE SADDLED WITH A LEGACY OF DEBT. WE NEED TO CREATE JOBS. WE NEED TO ENSURE THAT EVERY AMERICAN WHO IS ABLE TO WORK, CAN WORK. WE NEED TO ENSURE THAT OUR CHILDREN ARE SENT TO LEARN IN SCHOOLS THAT ARE NOT HAZARDOUS TO THEIR HEALTH, AND THAT WILL PREPARE THEM TO COMPETE IN TODAY'S GLOBAL MARKETPLACE. THIS DIVERSION -- ~~THE~~ DEBATE OVER THE CONTINUED RELEVANCE OF AFFIRMATIVE ACTION -- IS THEREFORE DISAPPOINTING.

IF THERE IS ANY OBJECTIVE THAT SHOULD COMMAND COMPLETE AMERICAN CONSENSUS, IT IS ENSURING THAT EVERY AMERICAN HAS THE CHANCE TO SUCCEED -- AND THAT, IN THE FINAL ANALYSIS, IS WHAT AFFIRMATIVE ACTION IS ALL ABOUT. NO ISSUE IS MORE CRITICAL TO OUR COUNTRY, AND NO ISSUE IS MORE CRITICAL TO ME. NOTHING MAKES A BIGGER DIFFERENCE IN A PERSON'S LIFE THAN OPENING UP OPPORTUNITIES. CERTAINLY, NOTHING HAS MADE A BIGGER DIFFERENCE IN MY LIFE -- AND NOTHING HAS HAD A MORE POSITIVE IMPACT ON THE ECONOMIC WELL-BEING OF OUR NATION.

THERE HAVE BEEN SUGGESTIONS THAT OUR EXISTING AFFIRMATIVE ACTION PROGRAMS MUST BE REVIEWED, AND I AGREE; NO PROGRAM SHOULD

EVER BE IMMUNE TO REVIEW. HOWEVER, A REVIEW CANNOT MEAN A RETREAT FROM THE PROPOSITION OF EQUAL OPPORTUNITY FOR ALL. I AM CONFIDENT THAT MY REVIEW OF AFFIRMATIVE ACTION WILL SHOW WHAT THE NATION'S MAJOR EMPLOYERS ALREADY KNOW: THAT AFFIRMATIVE ACTION IS GOOD FOR THE COMMUNITY, GOOD FOR COMPANIES, AND GOOD FOR THE COUNTRY.

II. TWO TRUTHS -- "HOW FAR WE HAVE COME, YET HOW FAR WE HAVE TO GO"
-- AND "AFFIRMATIVE ACTION IS GOOD BUSINESS"

I DON'T THINK THAT OUR CURRENT DEBATE OVER AFFIRMATIVE ACTION COULD HAVE COME AT A MORE IRONIC TIME. AS YOU KNOW, THE DEPARTMENT OF LABOR LAST WEEK ISSUED ITS FACT FINDING REPORT ON THE ISSUE OF THE "GLASS CEILING" -- THOSE INVISIBLE, YET VERY REAL BARRIERS THAT CONTINUE TO CONFRONT WOMEN AND MINORITIES AS THEY ATTEMPT TO PARTICIPATE IN THE WORKFORCE. THE GLASS CEILING REPORT IS A COMPELLING ENDORSEMENT OF THE VALUE OF AFFIRMATIVE ACTION. IT CLEARLY IDENTIFIES THE RELEVANCE OF DIVERSITY IN THE WORKPLACE. I WOULD LIKE TO DISCUSS, JUST BRIEFLY, THE ORIGINS OF THIS FACT FINDING REPORT.

IN THE LATE 1980s AND EARLY 1990s, THE DEPARTMENT OF LABOR, UNDER THE LEADERSHIP OF TWO VERY ABLE WOMEN, SECRETARY ELIZABETH DOLE, AND HER SUCCESSOR, SECRETARY LYNN MARTIN, PREPARED A DOCUMENT WHICH HELPED PUBLICIZE THE GLASS CEILING PHENOMENON. AS OUR DISTINGUISHED MAJORITY LEADER, SENATOR ROBERT DOLE, STATED AT THE TIME OF THE REPORT'S RELEASE, IT "CONFIRMED WHAT MANY OF US HAVE SUSPECTED ALL ALONG -- THE EXISTENCE OF INVISIBLE, ARTIFICIAL

BARRIERS BLOCKING WOMEN AND MINORITIES FROM ADVANCING UP THE CORPORATE LADDER TO MANAGEMENT AND EXECUTIVE LEVEL POSITIONS . . . THE ISSUE BOILS DOWN TO ENSURING EQUAL ACCESS AND EQUAL OPPORTUNITY . . . THESE PRINCIPLES ARE FUNDAMENTAL TO THE ESTABLISHMENT OF THIS GREAT NATION, AND THE CORNERSTONE OF WHAT OTHER NATIONS AND OTHER PEOPLE CONSIDER UNIQUE TO THE UNITED STATES -- NAMELY, THE POSSIBILITY FOR EVERYONE TO GO AS FAR AS THEIR TALENTS AND HARD WORK WILL TAKE THEM. "

BASED IN PART ON THAT REPORT, CONGRESS CREATED THE GLASS CEILING COMMISSION AS PART OF THE CIVIL RIGHTS ACT OF 1991. THE COMMISSION, COMPRISED OF 21 MEMBERS, WAS CHARGED WITH CONDUCTING A STUDY AND PREPARING RECOMMENDATIONS ON "ELIMINATING ARTIFICIAL BARRIERS TO THE ADVANCEMENT OF WOMEN AND MINORITIES."

I FIND IT IRONIC THAT THE CURRENT ATTACK ON AFFIRMATIVE ACTION COINCIDES, ALMOST EXACTLY, WITH THE RELEASE OF THE COMMISSION'S FACT-FINDING REPORT, ENTITLED "GOOD FOR BUSINESS: MAKING FULL USE OF THE NATION'S HUMAN CAPITAL." IT IS ALSO, HOWEVER, FORTUITOUS, FOR THE COMMISSION'S REPORT PROVIDES THOSE OF US IN CONGRESS, WHO WILL SOON BE DEBATING THE FUTURE OF AFFIRMATIVE ACTION, WITH TWO FUNDAMENTAL TRUTHS: THE FIRST OF THESE TRUTHS IS THAT, THOUGH WE HAVE COME FAR SINCE LYNDON JOHNSON ISSUED EXECUTIVE ORDER NUMBER 11246, THERE IS STILL MUCH PROGRESS TO BE MADE. THE UNITED STATES STILL FAILS TO UTILIZE THE TALENTS AND RESOURCES OF FAR TOO GREAT A PERCENTAGE OF ITS POPULATION IN FAR TOO MANY INDUSTRIES.

THE SECOND TRUTH IS THAT, IF PROGRESS IS NOT MADE, IT WILL NOT BE JUST MINORITIES AND WOMEN WHO SUFFER, BUT THE COMMUNITY AS A

WHOLE. AFFIRMATIVE ACTION IS ABOUT FAR MORE THAN JUST EQUAL OPPORTUNITY -- IT'S ABOUT OUR ECONOMIC PROSPERITY. IT'S ABOUT ACCESS TO EDUCATION AND JOBS FOR WORKING PEOPLE, FOR MIDDLE CLASS FAMILIES, AND FOR OUR CHILDREN. INDEED, A RECENT WASHINGTON POST BUSINESS SECTION ARTICLE, ENTITLED "AFFIRMATIVE ACTION'S CORPORATE CONVERTS," DOCUMENTED THIS FACT. IN THE ARTICLE THE CHAIRMAN OF MOBIL CORPORATION, MR. LUCIO A. NOTO, SUMMED UP THE VIEW OF MANY EMPLOYERS: "I HAVE NEVER FELT A BURDEN FROM AFFIRMATIVE ACTION, BECAUSE IT IS A BUSINESS IMPERATIVE FOR US."

III. AFFIRMATIVE ACTION IS A BUSINESS IMPERATIVE

AFFIRMATIVE ACTION IS A BUSINESS IMPERATIVE FOR OUR COUNTRY, AS WELL. IN SPITE OF THE RHETORIC AND MYTHS SURROUNDING THIS CONCEPT, THE TRUTH IS THAT EVERY AMERICAN STANDS TO BENEFIT WHEN EACH AMERICAN IS GIVEN A CHANCE TO CONTRIBUTE TO THE MAXIMUM EXTENT OF HIS OR HER ABILITY.

OUR WORKFORCE IS CHANGED. OUR COUNTRY HAS MOVED IN THE DIRECTION OF MAKING THE AMERICAN DREAM OF OPPORTUNITY A DREAM FOR ALL AMERICANS. AFFIRMATIVE ACTION HAS PLAYED A MAJOR ROLE IN OPENING UP DOORS AND PROVIDING OPPORTUNITY FOR THE MILLIONS OF PEOPLE WHO DID NOT ALWAYS HAVE A CHANCE TO PARTICIPATE IN THE FULL RANGE OF ECONOMIC ACTIVITIES THIS COUNTRY HAS TO OFFER. AND OUR SOCIETY HAS BENEFITTED AS A RESULT.

IN 1964, WHEN THE FIRST EXECUTIVE ORDER ON AFFIRMATIVE ACTION WAS ISSUED, THERE WERE APPROXIMATELY 74 MILLION WORKING AMERICANS. BY LAST YEAR, THAT NUMBER HAD GROWN TO JUST OVER 123 MILLION. IN

OTHER WORDS, SINCE 1964, OUR ECONOMY HAS CREATED 50 MILLION NEW JOBS. ALTHOUGH WOMEN AND MINORITIES ENTERED THE WORKFORCE IN UNPRECEDENTED NUMBERS, THESE NEW JOBS FOR WOMEN WEREN'T CREATED BY TAKING AWAY JOBS HELD BY MEN. RATHER, THEY WERE CREATED BY MAKING USE OF THE TALENTS THAT WORKING WOMEN BRING TO OUR ECONOMY, AND USING THOSE TALENTS TO HELP CREATE NEW ECONOMIC GROWTH AND MORE, NEW JOBS.

WOMEN, THEREFORE, HAVE MADE GREAT GAINS IN THE WORKPLACE AND IN BUSINESS. DIVERSITY HAS GONE HAND IN HAND WITH AN EXPANSION OF OUR ECONOMY AND THE CREATION OF NEW JOBS, AND NOT OTHERWISE. AS MAY OF THE WOMEN WHO HAVE HAD TRAINING OPENED UP TO THEM OR JOBS IN THE PROFESSIONS, OR PROMOTIONS IN THE CORPORATE SECTOR WILL TELL YOU, AFFIRMATIVE ACTION HELPED CREATE A CLIMATE THAT FAVORED AND FOSTERED DIVERSITY, AND THEREFORE HELPED GIVE THEM THE CHANCE THAT MIGHT NOT OTHERWISE HAVE BEEN AVAILABLE.

AND LET'S LOOK AT SOME OF THE GAINS MADE BY WOMEN UNDER AFFIRMATIVE ACTION. BECAUSE MANY EMPLOYERS MADE A COMMITMENT TO FOSTERING DIVERSITY, WOMEN MADE SIGNIFICANT IN-ROADS INTO PROFESSIONS THAT HAD PREVIOUSLY BEEN OFF-LIMITS TO THEM. IN 1972, WOMEN COMPRISED A MERE 3 PERCENT OF ARCHITECTS. BY 1993, THAT NUMBER HAD CLIMBED TO 18.6%. IN 1972, WOMEN WERE 10% OF ALL PHYSICIANS, BUT BY 1993, THAT NUMBER HAD GROWN TO 22%. IN 1972, WOMEN MADE ONLY 4% OF ALL LAWYERS, A NUMBER THAT GREW TO 23% BY 1993. [AND, I MIGHT ADD, THIS IS DESPITE THE FACT THAT THE SUPREME COURT, IN BRADWELL V. ILLINOIS, ONCE UPHELD A DECISION BY MY HOME STATE TO DENY AN EMINENTLY QUALIFIED WOMAN, MYRA BRADWELL, THE

RIGHT TO PRACTICE LAW, SOLELY ON THE BASIS OF HER GENDER.]

WOMEN HAVE MADE EQUALLY SIGNIFICANT GAINS IN THE SCIENCE FIELDS. IN 1972, WOMEN COMPRISED A DISMAL 0.8% OF ALL ENGINEERS -- LESS THAN 1%! BUT BY 1993, THAT NUMBER HAD GROWN TO 8.6%. IN CHEMISTRY, WOMEN'S SHARE OF THE JOBS GREW FROM 10% IN 1972 TO ALMOST 30% IN 1993.

IN 1972, THERE WERE SO FEW FEMALE AIRLINE PILOTS THAT THE DEPARTMENT OF LABOR DIDN'T EVEN BOTHER TO KEEP TRACK. NOW, IN 1993, WOMEN WERE 4% OF AIRLINE PILOTS -- A SIGNIFICANT GAIN, TO BE SURE, ALTHOUGH THERE IS CLEARLY STILL A LONG WAY TO GO. IN THE ADVERTISING PROFESSION, WOMEN WENT FROM 22% OF THE WORKFORCE IN 1972, TO 50% -- ALMOST EQUAL THEIR PERCENTAGE OF THE POPULATION -- IN 1993. AND THE GOOD NEWS DOESN'T STOP THERE. WOMEN HOLD 42% OF COLLEGE TEACHING POSITIONS, COMPARED TO THE 28% IN 1972.

EVEN MORE IMPORTANTLY, A RAPIDLY GROWING NUMBER OF WOMEN NOW OWN THEIR OWN BUSINESSES -- THEY ARE THE BOSSES! DURING A RECENT FIVE-YEAR PERIOD, THE NUMBER OF WOMEN-OWNED BUSINESSES INCREASED BY 58%, FOUR TIMES THE RATE OF GROWTH FOR ALL BUSINESSES. AND DURING THAT SAME PERIOD, THE REVENUES FOR WOMEN-OWNED BUSINESSES NEARLY TRIPILED TO OVER \$275 BILLION. THE NUMBER OF WOMEN-OWNED MANUFACTURING BUSINESSES MORE THAN DOUBLED IN THAT FIVE YEAR PERIOD, AND THE REVENUES OF THOSE BUSINESSES INCREASED ALMOST SIX-FOLD OVER THOSE FIVE YEARS.

I COULD GO ON -- AND IN THE COMING WEEKS AND MONTHS, I WILL CONTINUE TO DETAIL THESE SIGNIFICANT GAINS THAT HAVE RESULTED FROM AFFIRMATIVE ACTION. BUT I JUST WANT TO UNDERSCORE THAT THE

ACHIEVEMENTS WE HAVE MADE, WOULD NOT HAVE OCCURRED WITHOUT A COMMITMENT BY EMPLOYERS' TO SEEK OUT, AND FOSTER, DIVERSITY. I HAVE HERE A SECTION OF THE GLASS CEILING REPORT, WHICH DESCRIBES IN SOME DETAIL THE EFFORTS A NUMBER OF AMERICA'S FINEST COMPANIES HAVE MADE TO FOSTER DIVERSITY. TO THOSE WOMEN WHO THINK THIS DEBATE IS NOT ABOUT THEM, I WOULD ENCOURAGE THEM TO LOOK AT THIS LIST.

WOMEN'S SUCCESSES IN THE ECONOMY OVER THESE PAST THREE DECADES HAVE NOT BEEN DUE TO "QUOTAS." UNFORTUNATELY, "QUOTA" IS OFTEN THE BUZZ-WORD OF CHOICE USED BY THOSE WHO PREFER MYTH TO TRUTH, AND WHO WANT TO CREATE FEAR FROM INSECURITY AND CONFUSION.

THE "QUOTA" DEBATE IS A FAKE. IT IS A FRAUD. IT IS AN ATTEMPT TO REDUCE AFFIRMATIVE ACTION TO AN ABSURDITY THAT SERVES ONLY TO PANDER TO NEGATIVE EMOTIONS. IT IS A MYTH THAT ONLY THOSE WHO EITHER DON'T KNOW OR DON'T CARE ABOUT THE TRUTH WOULD EVEN DISCUSS IN THE CONTEXT OF AFFIRMATIVE ACTION.

WHEN WE SPEAK OF AFFIRMATIVE ACTION, WE ARE TALKING ABOUT A RANGE OF ACTIVITIES CALCULATED TO SUPPORT OPPORTUNITY AND DIVERSITY IN THE WORKPLACE AND IN OUR ECONOMY.

THE PERSPECTIVE OF AFFIRMATIVE ACTION IS ACTUALLY THE OPPOSITE -- THE REVERSE -- OF THE QUOTA PERSPECTIVE. THE QUOTA ARGUMENT SUGGESTS THAT ONE LOOK AT NUMBERS BEFORE THE FACT TO LIMIT OPPORTUNITY FOR SOME. AFFIRMATIVE ACTION, ON THE OTHER HAND, LOOKS AT NUMBERS AFTER THE FACT, TO OBSERVE THE EFFECTS OF DIVERSITY IN THE WORKPLACE. THE TWO CONCEPTS ARE SIMPLY INCOMPATIBLE. AFFIRMATIVE ACTION DOES NOT TELL EMPLOYERS THEY HAVE TO HIRE 12.5 WOMEN; OR 2.5 NATIVE AMERICANS -- OR THAT THEY HAVE TO FOLLOW ANY

INFLEXIBLE NUMERIC FORMULA. TO ASSERT THAT AFFIRMATIVE ACTION MEANS QUOTAS IS SIMPLY FALSE.

IV. HOW FAR WE HAVE TO GO

NOW, MR. PRESIDENT, OPPONENTS OF AFFIRMATIVE ACTION LOVE TO CITE THOSE VERY SAME STATISTICS THAT I HAVE JUST OUTLINED IN SUPPORT OF THEIR ARGUMENTS THAT AFFIRMATIVE ACTION IS NO LONGER NEEDED. AND I DON'T DISAGREE THAT WE HAVE COME A LONG WAY. HOWEVER, ANY DECISIONS THAT WE IN CONGRESS MAKE MUST BE BASED ON THE WHOLE PICTURE. IN THE WORDS OF ONE OF OUR FOUNDING FATHERS, BENJAMIN FRANKLIN, "HALF THE TRUTH IS OFTEN A GREAT LIE."

THE REPORT'S OVERVIEW BEGINS: "CORPORATE LEADERS SURVEYED, WOMEN AND MINORITIES WHO PARTICIPATED IN FOCUS GROUPS, RESEARCHERS, AND GOVERNMENT OFFICIALS ALL AGREE THAT A GLASS CEILING EXISTS, AND THAT IT OPERATES SUBSTANTIALLY TO EXCLUDE MINORITIES AND WOMEN FROM THE TOP LEVELS OF MANAGEMENT." THIS STATEMENT IS UNDERScoreD BY A WEALTH OF DETAILED FACTUAL INFORMATION, WHICH ILLUSTRATES THIS CONCLUSION IN NO UNCERTAIN TERMS. TAKE, FOR EXAMPLE, A SURVEY OF SENIOR LEVEL MANAGERS OF FORTUNE 1000 INDUSTRIAL COMPANIES AND FORTUNE 500 SERVICE INDUSTRIES, WHICH ESTABLISHED THAT 95 TO 97 PERCENT OF SENIOR MANAGERS -- VICE-PRESIDENT AND ABOVE -- ARE WHITE MEN.

OR, THE REPORT'S FINDING THAT "DESPITE IDENTICAL EDUCATION ATTAINMENT, AMBITION, AND COMMITMENT TO CAREER, MEN STILL PROGRESS FASTER THAN WOMEN. A 1990 BUSINESS WEEK STUDY OF 3,664 BUSINESS

SCHOOL GRADUATES FINDS THAT A WOMAN WITH AN MBA FROM ONE OF THE TOP 20 BUSINESS SCHOOLS EARNED AN AVERAGE OF \$54,749 IN HER FIRST YEAR AFTER GRADUATION, WHILE A COMPARABLE MAN EARNED \$61,400 -- 12 PERCENT MORE." AND THE PROBLEMS AREN'T LIMITED TO THE BUSINESS WORLD. WHILE WOMEN HOLD OVER 4 IN EVERY 10 COLLEGE TEACHING JOBS - - MORE THAN 40 PERCENT -- THEY ONLY HOLD 11 PERCENT OF TENURED POSITIONS.

[THE FACT REMAINS THAT, WHILE WHITE MEN ARE APPROXIMATELY ONE-THIRD OF THE POPULATION, THEY COMPRISE 80 PERCENT OF CONGRESS, HOLD FOUR-FIFTHS OF TENURED POSITIONS AT COLLEGES AND UNIVERSITIES, AND CONSTITUTE 95 PERCENT OF FORTUNE 500 COMPANIES' SENIOR MANAGERS.]

THE GLASS CEILING COMMISSION'S REPORT MAKES IT CLEAR WHAT THE PROBLEM IS. IT'S NOT A "WOMEN'S PROBLEM." IT'S NOT A PROBLEM RELATED TO ANY LACK OF ABILITY ON THE PART OF WOMEN OR MINORITIES. IT IS A PROBLEM GOING TO THE HEART OF THE AMERICAN DREAM -- WHETHER THE WORKFORCE IS FOR SOME AMERICANS, OR FOR ALL AMERICANS. AS THEY CONCLUDED, AFTER YEARS OF RESEARCH, THERE ARE TWO MAJOR IMPEDIMENTS TO FULL PARTICIPATION BY WOMEN AND MINORITIES:

- THE PREJUDICES AND STEREOTYPES OF MANY WHITE MALE MIDDLE MANAGERS, AND;
- THE NEED FOR GREATER EFFORTS BY MANY CORPORATE CEOs -- WHO HAVE MADE AN INITIAL COMMITMENT TO DIVERSITY AND EXPANDED ECONOMIC OPPORTUNITY -- TO FULLY TRANSLATE THOSE WORDS INTO REALITIES. IT IS ONE THING TO SPEAK APPROVINGLY ON A SUBJECT; IT IS ANOTHER TO ACTUALLY CHANGE LONG-HELD HABITS. OFTEN, IT

IS NOT UNTIL THERE IS AN ACTUAL PLAN, WITH GOALS TO ILLUSTRATE WHAT YOU WANT TO ACHIEVE, THAT ANY TRUE SUCCESS IS SEEN. AND THAT IS WHY AFFIRMATIVE ACTION IS SO INDISPENSABLE.

THE SUB-HEADING ON A RECENT NEW YORK TIMES ARTICLE BY REPORTER PETER T. KILBORN, WHICH DETAILED THE COMMISSION'S FINDINGS, HIGHLIGHTS THE PROBLEMS PRESENTED BY STEREOTYPING. THE HEADING READS: "REPORT FINDS PREJUDICES BLOCK PROGRESS OF WOMEN AND MINORITIES." AND THE STORY GOES ON TO DEPICT THE BARRIERS THAT, UNFORTUNATELY, STILL MUST BE OVERCOME BY WOMEN AND MINORITIES SEEKING TO CLIMB THE CORPORATE LADDER. KILBORN WRITES:

"IN EXPLORING THE DEMOGRAPHY OF AMERICAN UPPER MANAGEMENT, A GOVERNMENT COMMISSION WEDNESDAY PUT ITS OFFICIAL STAMP ON WHAT MANY PEOPLE HAVE SUSPECTED ALL ALONG: IMPORTANT BARRIERS TO THE PROGRESS OF WOMEN AND MINORITIES ARE THE ENTRENCHED STEREOTYPES AND PREJUDICES OF WHITE MEN. WOMEN, THE REPORT OF THE FEDERAL GLASS CEILING COMMISSION SAID, ARE PERCEIVED BY WHITE MALES AS 'NOT TOUGH ENOUGH' AND UNABLE OR UNWILLING TO RELOCATE. BLACK MEN? 'UNDISCIPLINED, ALWAYS LATE.' HISPANIC MEN ARE DEEMED 'HEAVY DRINKERS AND DRUG USERS WHO DON'T WANT TO WORK -- EXCEPT FOR CUBANS, WHO ARE 'BRAVE EXILES FROM COMMUNISM.' ASIANS? 'MORE EQUIPPED FOR TECHNICAL THAN PEOPLE-ORIENTED WORK.' AND, THE REPORT SAID, WHITE MALES BELIEVE THAT NONE OF THESE FOLKS PLAY GOLF.

"NEVER MIND THAT WOMEN'S ATTENDANCE RECORDS ARE BETTER THAN MENS'S, DISCOUNTING MATERNITY LEAVES; THAT HISPANIC AMERICANS WORK LONGER THAN THE NON-HISPANIC WHITE MEN PUTTING THEM DOWN, OR THAT AMERICAN MANAGEMENT IS IMPRESSED ENOUGH BY ASIAN MANAGEMENT THAT IT OFTEN APES IT."

THESE FACTS MAKE IT VERY CLEAR THAT THE ELIMINATION OF OVERT DISCRIMINATION IS NOT ENOUGH TO ACHIEVE THE DIVERSITY IN THE ECONOMY THAT WILL GIVE OUR COUNTRY THE ABILITY TO COMPETE IN THE 21st CENTURY. WE STILL HAVE A LONG WAY TO GO TO ELIMINATE THE INSTITUTIONAL AND PERSISTENT BIAS WHICH FORMS BARRIERS TO THE FULL

PARTICIPATION -- AND THE COMPLETE CONTRIBUTIONS -- ALL OF OUR PEOPLE HAVE TO GIVE. IT STANDS TO REASON THAT IF WE CREATE CONDITIONS THAT ALLOW OUR NATION TO TAP THE TALENTS OF 100 PERCENT OF OUR PEOPLE, WE WILL BE BETTER OFF THAN IF WE CAN ONLY TAP THE TALENTS OF HALF.

THE GLASS CEILING REPORT SPEAKS TO SOME OF THE REASONS FOR THIS PERSISTENT BIAS. TOO MANY WHITE MALE MIDDLE MANAGERS STILL ALLOW FALSE MYTHS OBSCURE THEIR VISION. THEY ARE STILL UNABLE TO SEE THE BENEFITS OF MAKING FULL USE OF THE TALENTS OF WOMEN AND MINORITIES. THE PROBLEM WE FACE NOW -- THE PROBLEM OF PERSISTENT BIAS -- IS DIFFERENT THAN THE BLATANT, STATE-SPONSORED DISCRIMINATION FACED IN THE 1950s AND 1960s, BUT IT IS NO LESS REAL. IT IS CERTAINLY NO LESS HARMFUL TO THOSE WHO ARE NOT CONSIDERED FOR A JOB, OR A LOAN, OR A GOVERNMENT CONTRACT. AND IT IS MOST DEFINITELY NO LESS WORTHY OF CONGRESSIONAL ACTION THAN THE OFFICIAL DISCRIMINATION THAT CONGRESS ADDRESSED IN THE 1960s.

THIS SITUATION MUST CHANGE, MR. PRESIDENT. FOR IF IT DOESN'T, IT WILL LEAD US BACK TO THE SECOND TRUTH I OUTLINED ABOVE. WITHOUT PROGRESS -- OR, EVEN WORSE, WITH A RETREAT ON THE PROMISE OF EQUAL ECONOMIC OPPORTUNITY FOR ALL -- THE ENTIRE COMMUNITY WILL SUFFER. THE WASHINGTON POST ARTICLE, WHICH QUOTED THE CHAIRMAN OF MOBIL OIL, MR. NOTO, UNDERSCORES THAT POINT. THE ARTICLE POINTS OUT THAT MR. NOTO'S OPINION IS:

"NOT A MAVERICK VIEW. AT MANY OF THE NATION'S LARGE CORPORATIONS, AFFIRMATIVE ACTION IS WOVEN INTO THE FABRIC OF THE COMPANIES. AND THE DIVERSITY THAT AFFIRMATIVE ACTION REGULATIONS HAS ENCOURAGED HAS BECOME A VALUABLE MARKETING AND RECRUITING TOOL, AN IMPORTANT EDGE IN FIERCE GLOBAL COMPETITION."

THE REPORT ISSUED BY THE GLASS CEILING COMMISSION REACHED AN IDENTICAL CONCLUSION, A CONCLUSION WHICH IS EXPRESSED IN THE REPORT'S TITLE, "GOOD FOR BUSINESS -- MAKING FULL USE OF THE NATION'S HUMAN CAPITAL." SIMPLY STATED, THE CONCLUSION REACHED WAS THAT:

"INCREASING NUMBERS OF CORPORATE LEADERS RECOGNIZE THAT GLASS CEILINGS AND EXCLUSION OF MEMBERS OF GROUPS OTHER THAN WHITE NON-HISPANIC MALES ARE BAD FOR BUSINESS BECAUSE OF RECENT DRAMATIC SHIFTS IN THREE AREAS THAT ARE FUNDAMENTAL TO BUSINESS SURVIVAL: * CHANGES IN THE DEMOGRAPHICS OF THE LABOR FORCE, * CHANGES IN THE DEMOGRAPHICS OF THE NATIONAL CONSUMER MARKETS, [AND] * THE RAPID GLOBALIZATION OF THE MARKETPLACE."

THESE SHIFTS -- CHANGES IN THE DEMOGRAPHICS OF THE LABOR FORCE, CHANGES IN THE DEMOGRAPHICS OF THE NATIONAL CONSUMER MARKETS, AND RAPID GLOBALIZATION OF THE MARKETPLACE -- HIGHLIGHT WHY A RETREAT FROM AFFIRMATIVE ACTION COULD NOT COME AT A WORSE TIME.

A 1993 STUDY OF STANDARD AND POOR 500 COMPANIES SHOWED THAT FIRMS THAT SUCCEED IN SHATTERING THEIR OWN GLASS CEILINGS RACKED UP STOCK-MARKET RECORDS THAT WERE NEARLY TWO AND ONE-HALF TIMES BETTER THAN OTHERWISE COMPARABLE COMPANIES. COMPANIES HAVE BENEFITTED BY OPENING THEIR DOORS TO ALL AMERICAN WORKERS -- AND WE WILL ALL CONTINUE TO BENEFIT, SO LONG AS THOSE OF US IN CONGRESS DO NOT RETREAT FROM AMERICA'S FUNDAMENTAL PROMISE OF OPPORTUNITY FOR ALL.

IT IS OFTEN THE CASE THAT THOSE OF US IN CONGRESS ARE CALLED UPON TO VOTE ON ISSUES WITH WHICH WE HAVE HAD NO PERSONAL EXPERIENCE. BUT THE ISSUE OF CREATING THE OPPORTUNITY FOR WOMEN

AND MINORITIES TO BECOME FULL ECONOMIC PARTNERS IN OUR SOCIETY IS DEAR TO MY HEART, BECAUSE AS A WOMAN, AND A MINORITY, I HAVE SEEN FIRST-HAND THE BENEFITS THAT ACCRUE FROM EXPANDING OUR ECONOMY, AND UTILIZING THE TALENTS OF ALL OF OUR PEOPLE.

NOTHING MAKES A BIGGER DIFFERENCE IN A PERSON'S LIFE THAN OPENING UP OPPORTUNITIES. CERTAINLY, NOTHING HAS MADE A BIGGER DIFFERENCE IN MY LIFE. AS CONGRESS CONSIDERS THE ISSUE OF AFFIRMATIVE ACTION, I WOULD ASK THAT THEY CONSIDER THE EXPERIENCES OF THEIR COLLEAGUES WHO HAVE HAD TO OVERCOME ARTIFICIAL BARRIERS TO ACHIEVEMENT. WHAT OUR EXPERIENCES ILLUSTRATE ARE THE BASIC PRINCIPLES THAT CONGRESS MUST CONSIDER AS IT DEBATES AFFIRMATIVE ACTION. THERE ARE THREE FUNDAMENTAL PRINCIPLES THAT MUST BE PRESERVED. THE FIRST OF THESE PRINCIPLES IS THAT EVERY AMERICAN MUST HAVE ACCESS TO EDUCATION. THE OPPORTUNITY TO ATTEND THE UNIVERSITY OF ILLINOIS, AND THE UNIVERSITY OF CHICAGO LAW SCHOOL, GAVE ME THE TOOLS I NEEDED TO ENTER THE WORKFORCE. THE CLIMATE CREATED BY CONGRESSIONAL SUPPORT FOR AFFIRMATIVE ACTION ENCOURAGED MY LAW SCHOOL TO SEEK OUT AND EMBRACE DIVERSITY. THEY WERE PERSUADED NOT JUST TO LOOK BEYOND THE STEREOTYPES, BUT TO REACH OUTSIDE THE TRADITIONAL POOL OF APPLICANTS, AND TO ACTIVELY SEEK OUT QUALIFIED STUDENTS WHO COULD BRING A DIFFERENT POINT OF VIEW TO THE TABLE. THIS, OF COURSE, BENEFITTED MORE THAN THE INDIVIDUAL STUDENTS -- IT BENEFITTED THE ENTIRE UNIVERSITY AS WELL.

THE SECOND BASIC PRINCIPLE OF AFFIRMATIVE ACTION IS THAT EVERY AMERICAN MUST HAVE ACCESS TO GOOD JOBS. MY FIRST JOB OUT OF LAW SCHOOL WAS WORKING AS AN ASSISTANT UNITED STATES ATTORNEY -- A JOB

THAT WOULD HAVE BEEN VIRTUALLY IMPOSSIBLE FOR A WOMAN TO HOLD JUST 20 YEARS EARLIER. BECAUSE OF AFFIRMATIVE ACTION, I WAS GIVEN A CHOICE IN THE CAREER PATH I WOULD FOLLOW.

AND THE THIRD BASIC PRINCIPLE, FROM WHICH THERE CAN BE NO RETREAT, IS THAT EVERY AMERICAN MUST HAVE THE OPPORTUNITY TO ADVANCE AS FAR IN THEIR FIELD AS THEIR HARD WORK WILL TAKE THEM. AS THE GLASS CEILING REPORT HAS SHOWN, GETTING A JOB IS ONLY HALF THE BATTLE. JUST AS PREJUDICE MUST NOT BE ALLOWED IN HIRING, IT MUST ALSO NOT BE ALLOWED IN PROMOTION. SO LONG AS ANY REVIEW OF AFFIRMATIVE ACTION PRESERVES THESE BASIC TENANTS, EVERYONE WILL WIN.

WE KNOW THAT THE "GLASS CEILING" IS BAD FOR WOMEN, BAD FOR MINORITIES, AND BAD FOR OUR NATION'S BUSINESSES. IT IS NOT ENOUGH THAT WOMEN ARE ABLE TO ENTER THE WORKFORCE; THEY ALSO HAVE TO HAVE THE OPPORTUNITY TO SUCCEED BASED ON THEIR ABILITY. THEY MUST HAVE THE OPPORTUNITY TO HAVE ACCESS TO CAPITAL, TO OWN THEIR OWN BUSINESSES, AND TO COMPETE FOR GOVERNMENT CONTRACTS. WITH THAT IN MIND, WE CANNOT RETREAT. WE MUST CONTINUE MOVING FORWARD, BUILDING ON THE PROGRESS THAT HAS ALREADY BEEN MADE, AND WORKING TO OVERCOME THE BARRIERS THAT REMAIN.

WE NEED TO FOLLOW THE RECOMMENDATION MAJORITY LEADER DOLE MADE WHEN HE AUTHORED THE LEGISLATION CREATING THE GLASS CEILING COMMISSION. HE SAID THEN "WHATEVER THE REASONS BEHIND THE GLASS CEILING, IT IS TIME WE STOPPED THROWING RHETORICAL ROCKS AND HIT THE GLASS CEILING WITH ENOUGH FORCE THAT IT IS SHATTERED." THAT RECIPE FOR ACTION MADE SENSE THEN, AND, WITH THE ISSUANCE OF THE

COMMISSION'S REPORT, IT MAKES EVEN MORE SENSE NOW.

I HAVE HEARD IT ARGUED BY SOME OPPONENTS OF AFFIRMATIVE ACTION THAT WE ARE FOCUSING TOO MUCH ON THE PAST. THEY SAY THAT THEY WEREN'T THERE WHEN THE CONSTITUTION WAS DRAFTED, LEAVING WOMEN AND AFRICAN-AMERICANS OUT OF ITS PROMISE OF EQUAL OPPORTUNITY FOR ALL. THEY DID NOT TAKE ANY PAST ACTIONS, THEY DID NOT CARRY OUT ANY PAST "WRONGS," AND THEY SHOULDN'T HAVE TO WORK TO CORRECT THOSE WRONGS IN THE PRESENT.

BUT THIS DEBATE ISN'T ABOUT THE PAST, MR. PRESIDENT, OR EVEN THE PRESENT. THE NEED FOR CONTINUED ACTION IS NOT JUST ABOUT RIGHTING PAST WRONGS -- ALTHOUGH PAST WRONGS WARRANT STRONG ACTIONS; NOR IS IT ABOUT REPAYING OLD DEBTS -- ALTHOUGH SUBSTANTIAL DEBTS ARE OWED TO THOSE PEOPLE AND THEIR DESCENDANTS WHO WERE HARMED BY THEIR PAST EXCLUSION FROM FULL PARTICIPATION IN OUR ECONOMY. THIS DEBATE IS ABOUT THE FUTURE, AND THE EXPANDED ECONOMIC OPPORTUNITY THAT WILL COME IF ALL AMERICANS ARE ALLOWED TO PARTICIPATE IN THE ECONOMY.

INTERNATIONAL COMPETITION IS TOUGHER AND TOUGHER. WE CANNOT SUCCEED BY BAILING OUT OF THE COMPETITION, OR BY WASTING THE TALENTS OF HALF OUR CITIZENRY. BUT THAT IS WHAT WE ARE DOING BY NOT ACTING AGGRESSIVELY TO SHATTER THE GLASS CEILING. IF WE DO NOT MAKE FULL USE OF THE EDUCATION AND THE SKILLS OF WOMEN AND MINORITIES, THEY ARE HURT, BUT WE ARE HURT AS WELL.

IN 1992, APPROXIMATELY 590,000 WOMEN, AND 163,000 MINORITY STUDENTS GRADUATED FROM COLLEGE. ARE WE REALLY PREPARED TO SAY TO THEM, "SORRY, YOU'RE NOT ALLOWED TO COMPETE." AS PARENTS, WE ALL

HAVE HOPES AND DREAMS FOR OUR CHILDREN. ARE WE REALLY PREPARED TO SAY TO OUR DAUGHTERS, "SORRY, BUT YOU'RE NOT ALLOWED TO COMPETE. WORK HARD, BUT YOU WILL STILL GET PAID LESS THAN THE MEN WORKING NEXT TO YOU, AND YOU SHOULDN'T EXPECT TO BE PROMOTED." ARE WE REALLY PREPARED, AS A MATTER OF NATIONAL POLICY, TO DIMINISH THEIR EXPECTATIONS THAT WAY? ARE WE REALLY PREPARED TO PERMIT RESTRICTIONS ON THEIR POTENTIAL AND THEIR OPPORTUNITIES TO CONTINUE FOR EVEN ONE MORE DAY IF THERE IS ANYTHING WE CAN DO ABOUT IT?

THE ANSWER IS OBVIOUS. I'M NOT PREPARED TO STAND BY AND DO NOTHING. I WON'T DO THAT. I CAN'T DO THAT. THAT IS NOT TO SAY THAT AFFIRMATIVE ACTION PROGRAMS SHOULDN'T BE REVIEWED, THAT WE SHOULDN'T LOOK TO SEE WHICH PROGRAMS WORK, AND WHICH PROGRAMS DON'T, OR THAT WE SHOULDN'T LOOK TO SEE WHERE IMPROVEMENTS NEED TO BE MADE. BUT THERE CAN BE NO RETREAT FROM THE FUNDAMENTAL GOALS OF AFFIRMATIVE ACTION. THERE CAN BE NO COMPROMISE WITH THE OBJECTIVE OF ENSURING FULL ECONOMIC OPPORTUNITY FOR EVERY AMERICAN.

AFFIRMATIVE ACTION HAS HELPED EVERY AMERICAN, NOT JUST WOMEN AND MINORITIES. ALTHOUGH OPPONENTS INTIMATE THAT AFFIRMATIVE ACTION IS ABOUT PREFERENCE, IN FACT, THE OPPOSITE IS TRUE. IT IS ABOUT ENDING PREFERENCES BASED ON PREJUDICE AND STEREOTYPE. IT IS ABOUT OPENING UP OUR ECONOMY SO THAT IT WORKS FOR ALL OF US, AND NOT JUST SOME OF US.

I HOPE THAT MY REMARKS HERE TODAY WILL SOUND THE ALARM BELL FOR WOMEN ACROSS THE NATION. IN THE 1940s, WHEN THE MEN OF AMERICA WENT OFF TO EUROPE AND ASIA TO FIGHT WORLD WAR II, WOMEN ENTERED THE WORKFORCE IN RECORD NUMBERS. "ROSIE THE RIVETER" PROVIDED THE

ESSENTIAL SUPPORT NEEDED BACK HOME TO KEEP AMERICA'S FACTORIES RUNNING -- BOTH TO FUEL THE WAR EFFORT, AND TO SUSTAIN THE DOMESTIC ECONOMY. DURING THE WAR, WOMEN WERE HAILED AS HEROS. BUT WHEN THE WAR WAS OVER, WOMEN WERE TOLD THAT THEIR SERVICES WERE NO LONGER NEEDED.

WELL, I HAVE NEWS FOR THOSE WHO WOULD SEEK TO ROLL BACK THE GAINS WOMEN HAVE MADE UNDER AFFIRMATIVE ACTION. THIS IS NOT 1945. WE WILL NOT GO BACK -- NOR CAN THE COUNTRY AFFORD FOR US TO GO BACK.

INSTEAD OF A RETREAT, WE HAVE TO RETURN TO THE FUNDAMENTAL TRUTHS. WE HAVE COME A LONG WAY, WE HAVE MADE PROGRESS -- BUT NOT ENOUGH. AND IF WE HAVE THE WISDOM, AND THE FORESIGHT TO RENEW OUR COMMITMENT TO EQUAL OPPORTUNITY, WE WILL REALIZE THE OTHER FUNDAMENTAL TRUTH -- THAT AFFIRMATIVE ACTION IS REALLY ALL ABOUT OUR NATION'S ECONOMIC COMPETITIVENESS. THAT IS WHY SO MANY BUSINESSES SUPPORT IT. IT MAKES MONEY FOR THE WOMEN AND MINORITY EMPLOYEES WHO SEE BETTER PAYING JOBS OPENING TO THEM. IT MAKES MONEY FOR COMPANIES, WHO GAIN ACCESS TO A BROADER, DEEPER POOL OF TALENT, AND WHO ARE THEREFORE ABLE TO COMPETE MORE EFFECTIVELY. AND IT MAKES MONEY FOR OUR COUNTRY, BECAUSE MAKING THE BEST USE OF ALL OF THE TALENTS OF ALL OF OUR PEOPLE GENERATES ADDITIONAL ECONOMIC GROWTH.

SOME OF THOSE WHO HAVE BENEFITTED IN THE PAST BY EXCLUDING OTHERS -- WITH "100 PERCENT SET-ASIDES" -- WILL CONTINUE TO FIGHT TO MAINTAIN THEIR ADVANTAGE. BUT LET'S IDENTIFY THAT BATTLE FOR WHAT IT IS, A CONTEST BETWEEN NARROW SELF-INTEREST AND OUR BROAD

NATIONAL INTERESTS. THEY DON'T REALLY WANT MERIT TO PREVAIL -- NOT IF MERIT MEANS A WOMAN OR A MINORITY GETTING AHEAD. WHAT THEY WANT IS TO CONTINUE HANDICAPPING SOME OF THE COMPETITORS. WHAT THEY WANT IS TO AVOID ANY CHANGE, EVEN THOUGH THE CHANGE IS FOR THE GOOD ON EVERY LEVEL.

I DON'T INTEND TO LET THAT HAPPEN. I WAS SENT HERE BY THE PEOPLE OF ILLINOIS TO STAND FOR FREEDOM, FOR EQUALITY, AND FOR OPPORTUNITY. AND THAT IS WHAT I INTEND TO DO IN THIS DEBATE.

LAST MONTH, I MET WITH A GROUP OF YOUNG SCHOOLCHILDREN. I TALKED TO THEM ABOUT THE HISTORIC NATURE OF THE 104TH CONGRESS, AND HOW WE HAD COME SO FAR IN THE 75 YEARS SINCE THE WOMEN'S SUFFRAGE AMENDMENT BECAME PART OF OUR CONSTITUTION. I POINTED OUT TO THEM THAT THERE ARE NOW 8 WOMEN IN THE UNITED STATES SENATE! I SPOKE OF THIS AS IF IT WERE A GREAT ACCOMPLISHMENT. THE CHILDREN LOOKED AT ME IN CONFUSION -- ONE LITTLE GIRL LOOKED AT ME AND SAID: "IS THAT ALL?"

WHAT THAT YOUNG GIRL WAS TELLING US, IS THAT WE NEED TO LOOK AT THE OTHER HALF OF THE PICTURE. AND WHEN WE DO, WE KNOW WITHOUT A DOUBT THAT MUCH WORK REMAINS TO BE DONE.

MY ELECTION WAS DEEMED BY MANY TO BE "HISTORIC." IF THAT TERM IS TO HAVE ANY MEANING IN HISTORY, I KNOW WHERE I MUST STAND ON THIS ISSUE. THERE WILL BE NO RETREAT FROM OUR PURPOSE, NO COMPROMISE FROM OUR OBJECTIVES -- EXPANDING ECONOMIC OPPORTUNITY, TAKING ADVANTAGE OF OUR DIVERSITY, MOVING THE UNITED STATES EVER CLOSER TO THE DAY WHEN OUR DECLARATION OF INTENT IS A REALITY FOR EVERY AMERICAN.



REPUBLICA DEL ECUADOR
MINISTERIO DE RELACIONES EXTERIORES

15 N3E

FAX COVER SHEET

Number of pages (including this) 3 (THREE)

Fax:

Date: 19-april-1995

**RE.: MESSAGE FROM THE PRESIDENT OF ECUADOR,
SIXTO DURAN-BALLEN, TO H.E. WILLIAM CLINTON,
PRESIDENT OF THE UNITED STATES OF AMERICA.**

REMARKS:

The original message was delivered today to the Embassy of the United States of America in Quito, with the kind request to forward it to its addressee.



PRESIDENCIA DE LA REPUBLICA

Quito, a 17 de abril de 1995.

Excelentísimo Señor
William Clinton,
PRESIDENTE DE LOS ESTADOS UNIDOS DE AMERICA
Washington.-

Estimado señor Presidente:

Me es grato dirigirme a usted para manifestarle que aprecio sinceramente los esfuerzos que vienen realizando los Países Garantes del Protocolo de Río de Janeiro, con miras a finalizar la situación bélica y a ejecutar las Declaraciones de Tan de Hsinan y de Montevideo, esfuerzos que se hicieron evidentes con el viaje al Ecuador y al Perú del Embajador Luigi Einaudi.

El Ecuador se encuentra animado de la mejor disposición para que este conflicto sea superado y pueda establecerse un clima adecuado para la negociación de una solución final, justa y mutuamente aceptable al problema territorial existente entre ambos países.

Para llegar a esa solución será indispensable tener en cuenta la inexistencia del *divortium aquarum* entre los ríos Tumbura y Santiago, previsto en el Protocolo de Río de Janeiro de 1942, que no fue tampoco conocido por el Arbitro brasileño Jerônimo de Mear y Terra Braz Dias de Aguiar al dictar su fallo en 1946.

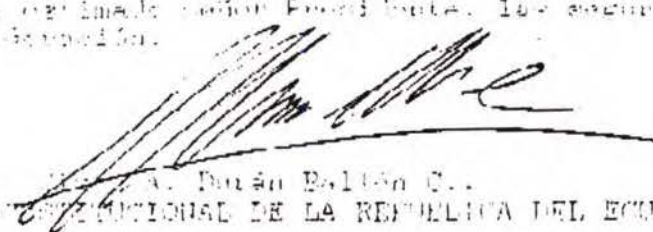
En efecto, en febrero de 1947 fue entregado a las Partes un mapa aerofotogramétrico realizado con la valiosa colaboración de la Fuerza Aérea de los Estados Unidos, el cual demuestra que entre los ríos Zamora y Santiago se interpone un sistema fluvial independiente, el río Cenepa, que llega hasta las cumbres septentrionales de la Cordillera del Cóndor, produciendo dos divisorias principales de aguas, una entre el Zamora y el Cenepa y otra entre el Cenepa y el Santiago, ninguna de las cuales fuera prevista en el texto del Protocolo.



PRESIDENCIA DE LA REPUBLICA

Con estos antecedentes, me dirijo a usted para solicitarlo, como lo he planteado en repetidas ocasiones al Ecuador, desde años atrás, a la Secretaría de Estado, que esta realidad geográfica que produce jurídicamente la inequivalencia del Protocolo de Río de Janeiro en dicho sector, sea tomada en consideración por los Estados Unidos de América, en su elevada posición de país Garante del mencionado instrumento, como elemento fundamental para la solución del diferendo territorial.

Respecto, a la región Frontalera, las seguridades de mi país ya han sido expresadas.



Juan Ballón C.

MINISTRO INTERINO DE LA REPUBLICA DEL ECUADOR

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: April 19, 1995

sent
95 APR 19 14:16
Date of Request:

Request for: POTUS/FLOTUS

Type of Request: Honorary Patrons

Requestor Name: Mrs. Alexander Chase

Title: Chairman

Organization: International Student House
1825 R Street, N.W.
Washington, D.C. 20009

Contact Tel. #: 202/387-6445

Event Date: 6/05/1995

Event Description: Scandinavian Evening

Notes: The International Student House serves as a residence for foreign and American students. The event will be held at the new Embassy of Finland and will be under the Honorary Sponsorship of Denmark, Finland, Iceland, Norway and Sweden. The group will honor one of its board members, Mrs. Jefferson Patterson.

Recommendations:

MW _____

NO
JP _____

EB _____

rec'd 4/18/95 JRA

INTERNATIONAL STUDENT HOUSE

1825 R Street NW Washington DC 20009 phone: (202) 387-6445 fax: (202) 387-4115

The President of the United States
William Jefferson Clinton
The White House, Washington, DC. 20500

COPY
from ORM

Dear Mr. President,

A special Scandinavian evening, for the benefit of the International Student House, will be held on Monday, June 5, 1995 at 6 p.m. at the splendid new Embassy of Finland on 3301 Massachusetts Avenue NW. The program will be under the Honorary Sponsorship of the Scandinavian countries: Denmark, Finland (hosts), Iceland, Norway and Sweden.

On this evening, we will honor our Board Member Mrs. Jefferson Patterson for her superb assistance to the International Student House as well as numerous other Philanthropies.

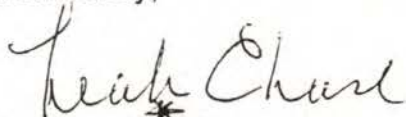
We are writing to ask if you would consent to lend your name and that of Mrs. Clinton to this splendid affair as Honorary Patrons.

The International Student House was officially opened as a residence for Foreign and American students on October 4th 1936. During the 59 years of its existence, International Student House has served students from practically every nation in the world. It has given them an opportunity, while completing Academic programs, Research projects, Internships in government, to contact with local citizens and the Board of Directors.

We hope that you and Mrs. Clinton, as well as your lovely daughter, may be able to attend as our most honored guests. You would be surrounded by friends!

We hope to receive an early reply to meet the printing deadline.

Most sincerely,



Mrs. Alexander Chase

Chairman

Scandinavian Evening

1995 ISH Benefit

BUDGET

PETER H. STONE

Why - Extra Low; it was coming this **FORTUNE 500 WELFARE QUEENS?**

Since Labor Secretary Robert B. Reich late last year identified "federal aid to dependent corporations" as a major culprit in the budget crisis, groups across the ideological spectrum have echoed his argument that the government is providing "corporate welfare."

The libertarian Cato Institute, the moderate Progressive Policy Institute (PPI) and the Ralph Nader-affiliated group Essential Information issued separate reports this month saying that eliminating many corporate subsidies and tax breaks would narrow the budget deficit and help the economy.

Cato estimated that its recommended cuts would save \$86 billion a year, the PPI said that it had identified potential savings of \$265 billion over five years and Essential Information said that it had found savings of \$167.2 billion annually.

Some of these groups have attacked congressional Republicans' efforts to slash government spending, arguing that the GOP's proposed cuts would hurt the poor while leaving corporate America unscathed. In mid-March, the House approved a \$17 billion package of spending rescissions, of which about two-thirds would come from programs that assist low-income families—ranging from nutrition assistance for pregnant women to summer jobs for disadvantaged youth.

"Welfare payments and tax breaks for allegedly free-market wealthy corporations must be examined and curtailed before payments to needy families and children are slashed," Nader said.

Essential Information said that in coming up with its \$167.2 billion in annual savings, it had identified 153 sources of "federal business welfare." By contrast, it said, total spending on aid to families with dependent children, food stamps, housing assistance and child nutrition programs is only about \$50 billion annually.

Corporate welfare takes many forms, the Nader group said, including direct payments to companies, tax breaks and government acquisition of goods and services at above-market prices. Some of the big-ticket items include \$3.1 billion in financing to help foreign countries buy U.S. military equipment and services; Export Enhancement Program bonuses to 147 U.S. agricultural companies that cost taxpayers roughly \$7 billion from 1985-94 (three companies—Cargill Inc., Continental Grain Co. and Louis Dreyfus Corp.—received 47 per cent of the total); and \$120 million in subsidies to 14 of the nation's largest computer microchip manufacturers, enabling them to market their wares abroad and maintain a competitive edge over their domestic rivals.

The group suggested that the government consolidate information about corporate welfare recipients and expenditures so that totals costs are known.

✓ Strikingly similar examples of corporate welfare popped up on the lists developed by Cato and the PPI.

Cato's report, which called federal aid to corporations a "major contributor to the federal budget crisis," argued that



every major Cabinet department has become a "conduit for government funding of private industry."

Its proposed cuts include the \$1.4 billion sugar price support program—40 per cent of whose benefits go the largest 1 per cent of U.S. sugar farms—and the \$110 million that the Agriculture Department's market promotion program spends annually on overseas advertising of such products as Pillsbury muffins and McDonald's Chicken McNuggets.

The PPI report listed 120 tax breaks and subsidies that it said should be eliminated, with the revenue savings allocated for deficit reduction, public investment and family tax relief. Some of the PPI's biggest savings would come from repealing tax exemptions for income earned by U.S. companies on their operations in Puerto Rico and other territories; that alone would save \$19.7 billion over five years. Also, the group called for phasing out a provision that lets mining companies fully deduct certain capital costs instead of depreciating them; that would save \$6.1 billion over five years.

But most Republican congressional leaders haven't shown much enthusiasm for taking up the corporate welfare issue.

Consider what happened in January when the conservative National Taxpayers Union (NTU) and the liberal environmental group Friends of the Earth Inc. issued a joint study proposing cuts in subsidies to mining, timber and other interests. The groups said that such subsidies are bad for the environment and will cost taxpayers \$33 billion over the next 10-15 years.

Among other things, the study took aim at the 1872 Mining Law, which it described as a "multibillion-dollar giveaway" that allows giant mining firms to explore on public lands at virtually no cost and extract minerals without paying royalties to the federal government.

The study provoked a firestorm among GOP leaders—but not for the reason that the groups had expected. In a "Dear Colleague" letter, House Majority Leader Richard K. Armey, R-Texas, wrote, "It has been our concern that fiscally conservative groups have been serving as a front for the extreme environmental movement." The letter was headlined "You can't judge an interest group by its name."

The tone of the letter shocked the study's authors. "I'm very disappointed and very surprised," said Jill Lancelot, the director of the subsidy reform project at the NTU Foundation. "Most of the time we don't agree with the environmental groups, but NTU is here to cut wasteful spending and balance the budget, and if we can find common ground with other groups that also want to cut wasteful spending, then that can be an alliance that makes a difference."

Some Republicans, though, argue that corporate pork has to be targeted as Congress cuts spending. "If we're willing to make tough decisions on domestic programs, we also ought to make tough decisions on defense spending and other government subsidies for corporations," said Rep. Scott Klug, R-Wis., who has co-sponsored a bill that would make major changes in the mining law.

Forest Plan/Pacific Northwest Economic Adjustment Initiative: The USDA Pacific Northwest Regional Forester recently announced the creation of a Jobs-In-The-Woods Watershed Restoration Coordinator. This position will serve as the regional focal point for questions or concerns regarding the Jobs-In-The-Woods component of the President's Northwest Forest Plan. The program creates family-wage job opportunities in timber-dependent communities while completing important watershed restoration work. In a recent White House meeting, Oregon Democrats indicated that this program is extremely popular.

- **Ethanol:** Senator Bradley is expected to offer an amendment to the Budget Reconciliation legislation that would terminate the excise tax exemption for ethanol. This reflects his longtime opposition to ethanol.
- **Inner-City Fire Crews Prove Successful:** Last week, training was conducted for new members of the Panthers' and Aztecs' fire crews, made up mostly of African-American and Hispanic inner-city youth in California. Both crews worked over 75 days during the 1994 fire season and will assist during the Angeles National Forest 1995 fire season. Operation of these crews is less expensive than Los Angeles County crews and provides a diverse applicant pool for temporary hiring needs.

Environmental Protection Agency

- **Earth Day:** On Tuesday, April 18, the Vice-President, Administrator Browner, and Secretary Ron Brown travel to Molten Metals in Fall River, Massachusetts for an Earth Day announcement of a National Environmental Technology strategy. The Vice President will release a White House document, *Bridge to a Sustainable Future*, and announce several major new technology initiatives. The document is a national strategy for achieving dual goals of economic growth and environmental protection by promoting innovative technologies.

On Thursday, April 20, Administrator Browner will deliver a Earth Day address at the National Press Club. Administrator Browner will highlight some of our great achievements in environmental protection, but will also caution that complex problems remain to be solved. She will also emphasize some of the new opportunities the Clinton Administration has created for business, states, local communities and citizens to take personal responsibilities for protecting public health and the environment.

- **Resource Conservation and Recovery Act (RCRA):** On Friday, April 21, EPA will announce that it is initiating its legislative reform of RCRA (EPA's waste management program). During the months of May and June, EPA will hold a series of meetings with various stakeholders to attempt to refocus the Act on waste that presents a high level of risk to human health and the environment.

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Tax Report

A Special Summary and Forecast
Of Federal and State Tax
Developments

EARNING ENOUGH just to pay your
taxes takes longer than ever.

The average American will have to work
two hours and 46 minutes out of each
eight-hour workday merely to pay all fed-
eral, state and local taxes this year, says a
report to be released next week by the Tax
Foundation, a Washington-based research
group. That is up from two hours and 38
minutes a decade ago, the foundation says.
In 1945, it took only one hour and 59 minutes.

New York and Connecticut taxpayers
share the dubious honor of being the most
heavily taxed, the foundation says. They
need to work three hours and nine minutes
each day to pay their taxes. Alaskan tax-
payers have the lowest tax burden: two
hours and 17 minutes. Mississippians have
the second-lowest burden at two hours and
21 minutes. These figures reflect not only
income taxes but also such other levies as
sales, excise, property and payroll taxes.

"Despite the federal-budget deficit,
the public seems to support some tax
relief and this tax calculation shows
why," says J.D. Foster, the foundation's
executive director.

COMPLAINTS SURGE about IRS snafus
and delays in income-tax refunds.

The IRS, under pressure from Congress,
has been cracking down this year on refund
fraud, delaying and rejecting many refund
claims. IRS officials say their efforts are
producing results. But they also acknowl-
edge that many innocent taxpayers have
been affected. Accountants and lawyers also
complain about other time-consuming tech-
nical glitches and clerical errors.

Sufferers may benefit by contacting the
little-known IRS taxpayer ombudsman or
"problem-resolution" officers in their dis-
trict. Started in 1976, the program can help
taxpayers cut through red tape and can take
steps to assist those facing special hard-
ships. For the first three months of this year,
IRS employees fielded 23,575 requests for
help in what taxpayers considered to be
special hardship cases, about triple the level
a year ago, says Lee Monks, the ombuds-
man. "A number of innocent people" have
been affected by the antifraud program, he
says. "That is one of the fallouts of a vitally
needed antifraud initiative."

SELF-EMPLOYED WORKERS finally
win back a long-cherished deduction.

The long wait is over. President Clinton
signed a bill yesterday allowing an esti-
mated 3.2 million self-employed taxpayers to
deduct 25% of their health-insurance pre-
miums on their 1994 returns. This deduction
once was part of the tax code but expired at
the end of 1993. The new law also raises the
deduction to 30% for 1995 returns, due next
year. These changes are "critical for farm-
ers and small-business owners," says Re-
publican Sen. Roth of Delaware, who helped
lead the charge for the legislation.

But not all the self-employed will benefit
from the new law. The IRS says a self-
employed worker must show a net profit for
the year. Also, the deduction can't be
claimed for any month in which an individ-
ual was eligible to participate in a health
plan subsidized by that person's employer or
by the employer of that person's spouse.

Thus, many two-income couples
aren't eligible for the deduction.

Medical Upheaval

Welfare Recipients
Are a Hot Commodity
In Managed Care Now

States Move Them There
To Save Costs; HMOs
See a Chance to Profit

Turmoil for Urban Hospitals

By RON WINSLOW

Staff Reporter of THE WALL STREET JOURNAL

BROOKLYN, N.Y. — In a crowded wel-
fare office on Flatbush Avenue, two
smartly dressed salesmen tout the virtues
of managed health care to an audience of
poor people. Posters promoting health-
maintenance organizations line the walls.

Outside, in some of the borough's poor-
est neighborhoods, blue-green billboards
that once advertised cigarettes and alcohol
plug an HMO called Managed Healthcare
Systems. And at Kings County Hospi-
tal, marketing representatives usher a
pregnant young woman into an office to
pitch MetroPlus, the public hospital sys-
tem's own HMO. She signs up and walks
out with a tote bag and water bottle
bearing the MetroPlus logo.

"Some reps show up at people's door-
steps in neighborhoods where they've
never dared to go before," says Cindy
Rondello, who directs managed care at
Brooklyn Hospital Center. "The competi-
tion out there is brutal."

Hot Commodity

Long outcasts of the nation's health-
care system, the poor are suddenly a hot
commodity. State governments battered
by soaring Medicaid budgets are rushing
to move welfare recipients into managed
care programs, where corporate America
already is realizing significant savings.

And HMOs that until recently shunned
the poor now see those eligible for Medi-
caid as a major source of enrollment
growth — and of profits. By providing Med-
icaid patients with their own primary-care
doctors, HMOs believe they can sharply
curtail the use of high-cost emergency
rooms for routine care and rein in surging
costs, while vastly improving health care
for the poor and better managing chronic
diseases such as asthma and diabetes.

"We want to provide the same services
to a Medicaid person in the Bronx that we
would provide to a vice-president at X-
erox," says Jacob Getson, senior vice presi-
dent for government programs at U.S.
Healthcare Inc., of Blue Bell, Pa.

Surging Enrollment

Last year, these forces fueled a stum-
ping 63% increase in the enrollment of
Medicaid recipients into privately run
managed-care programs. At present, 7.8
million Americans, 23% of those eligible for
the joint federal and state program for the
poor, are getting medical coverage
through HMOs and similar plans. That is
up from just 14% in 1993.

"This makes sense for Medicaid recipi-
ents, for government and for taxpayers,"
says Barbara A. DeBuono, New York
state's health commissioner. To help
stanch its hemorrhaging Medicaid budget,
the state hopes to...

Whines

ally fed up, some Napa Valleyans ly filed a Freedom of Information quest with the U.S. Treasury Department demanding the investor's identity; owners must register certain de- with the Treasury's Bureau of Alco- obacco and Firearms. Not to be e, lawyers for the investor sued the ry Department last month in U.S. t Court in Delaware seeking to stop vernment from telling the locals knows. They complained that the s trying to unmask Good Wine's won't say whom they represent.

h the suits still pending, the plot ed this week when rumors ran t that Good Wine was lusting after ther winery, Draper Vineyard. The e spread is owned 50-50 by Jerry and his sister, Jane Keresey. Mr. doesn't want to sell. She does. worked her over" to get her to agree er half-interest for \$4 million, Mr. contends.

adds: "That puts me in bed with r these people are. What an unsa- ought." The property has been in per family for 50 years, and an otograph of it appeared in a 1970s n National Geographic.

Secrecy

of the people who could have solved tery long ago is Thomas Ferrell, a Seagram Co. executive brought in d Wine as president of Spring n. For months—until yesterday, in Mr. Ferrell wasn't saying. But he hered to debunk suggestions of ions to Middle East gun money. a good one," he chortled. ything, Mr. Ferrell's stonewalling wine set digging more deeply into ease Turn to Page A8, Column 1

CS & POLICY: Medical savings ts are suddenly hot, A16.

NATIONAL: Brazil's economic as turned cacophonous, A10.

NATIONAL: China's corruption ay have ulterior motive, A11.

V & OUTLOOK: Meet Uncle enture capitalist, A14.

N: Pat Robertson on mitism, A14.

E & ARTS: 'The Man Without s' reappears, A12.

deduct 25% of their health insurance

deduct 25% of their health insurance. The new law also raises the deduction to 30% for 1995 returns, due next year. These changes are "critical for farmers and small-business owners," says Republican Sen. Roth of Delaware, who helped lead the charge for the legislation.

But not all the self-employed will benefit from the new law. The IRS says a self-employed worker must show a net profit for the year. Also, the deduction can't be claimed for any month in which an individual was eligible to participate in a health plan subsidized by that person's employer or by the employer of that person's spouse.

Thus, many two-income couples aren't eligible for the deduction.

AN ANNUAL REMINDER: Don't write checks to the "IRS," tax advisers warn. If your check falls into the hands of a crook, "IRS" may be changed to "MRS" followed by someone's name. Instead, write "Internal Revenue Service." Also write full names specified by state or local tax authorities, not just their initials.

AX THE INCOME TAX: Nearly two-thirds of investors in a recent poll favor replacing the income tax with a flat tax, where people would pay between 17% and 20% of total income, says Quick & Reilly, a New York-based discount broker. Only 22% of those polled don't like the idea.

REFUNDS approved by the IRS totaled \$47.43 billion as of April 3, down 3.3% from a year ago, the IRS said yesterday. Total number of refunds: 43.6 million, down 8.8%. Average refund: \$1,087, up 6%.

FILING ON TIME may be more important than some people realize.

Taxpayers who expect a refund for 1994 may assume there is no great harm in filing late. After all, late-filing penalties generally are assessed only on amounts that taxpayers owe. Thus, if you are a little late in filing, the theory goes, you are only hurting yourself and giving the IRS an interest-free loan. That may sound logical, but tax advisers say it can also be dangerous.

Suppose, for example, that you make an arithmetic error that transforms a nice refund into a painful balance due. Or suppose the IRS disallows some deductions and determines that you actually owe the government several thousand dollars. The IRS then may go back and hit you with a hefty late-filing penalty. "It's so easy to get an automatic extension" until mid-August by filing Form 4868, says Sidney Kess, a New York lawyer and accountant.

The IRS expects about 4.8 million taxpayers to request the automatic four-month extension this year.

BRIEFS: An intriguing idea: Republican Sen. Kyl of Arizona proposes moving the April tax-filing deadline to Election Day to encourage voters to "compare what they pay with what they get." . . . Capitol Hill welcome: Two tables belonging to Kenneth Kies mysteriously disappeared as he moved in as the new staff director of Congress's Joint Tax Committee several months ago. "If I'm here long enough," says Mr. Kies, "I'm going to find them."

—TOM HERMAN

Surging Enrollment

Last year, these forces fueled a stunning 63% increase in the enrollment of Medicaid recipients into privately run managed-care programs. At present, 7.8 million Americans, 23% of those eligible for the joint federal and state program for the poor, are getting medical coverage through HMOs and similar plans. That is up from just 14% in 1993.

"This makes sense for Medicaid recipients, for government and for taxpayers," says Barbara A. DeBuono, New York state's health commissioner. To help stanch its hemorrhaging Medicaid budget, the state hopes to quadruple by early 1997 the number of Medicaid recipients in HMOs, to more than two million.

As HMOs move into the inner city, they are triggering the same sort of upheaval reshaping health care all across the country. Hospital officials are eliminating hundreds of beds, laying off thousands of workers and scrambling to survive in a newly competitive market.

To some, such restructuring is long overdue. Traditional Medicaid programs waste billions of dollars "to support an infrastructure that has been proven not to work," says Stephen F. Wiggins, chief executive officer of Oxford Health Plans. "If the government can use market forces to stimulate this natural and necessary evolution, that's great public policy."

Jobs at Risk

But the rapid restructuring is also troubling communities it aims to help, disrupting lives and shutting down a vital source of jobs. Urban hospitals are especially threatened. Medicaid funds have long propped up a fragile system of public and private hospitals serving the poor. Under managed care, these funds are funneled instead to HMOs, which pay doctors and hospitals to provide care and try to reduce hospital use by catching illnesses early, before expensive treatment is needed.

"This is moving the already-too-small Medicaid dollar out of hospitals and using it to beef up primary care and prevention," says Drew Altman, president of the Kaiser Family Foundation in San Francisco.

These hospitals are also under siege from politicians in state capitals, big cities and Congress who want drastic cutbacks in Medicaid spending, cutbacks that go well beyond the savings initially anticipated from shifting the poor into managed care. In addition, efforts to slash welfare rolls could reduce the number of people eligible for Medicaid because their eligibility is generally contingent on their being on welfare—and they would be seeking medical care with no way to pay for it.

"The changes that are coming in both the political and health-care arenas raise very serious questions about the future of these institutions," says Bruce C. Vladeck, administrator of the Health Care Financing Administration, which oversees the Medicare program for the elderly as well as Medicaid.

Moreover, a forthcoming report by the Washington-based Kaiser Commission on the Future of Medicaid warns that "man-

Please Turn to Page A8, Column 1

Medical Upheaval: Both HMOs and Many States Now Want Welfare Recipients in Managed Care

Continued From First Page

aged care is not an instant solution to the problems of caring for the poor. With some exceptions, it says, managed care has yet to produce either significant savings for Medicaid programs or improved access and quality of care for patients. It adds that only a few of the 340 plans that now enroll Medicaid members are experienced in caring for a poor, culturally diverse and poorly educated population whose health-care needs are more complex than those of the privately insured.

As Medicaid's use of HMOs expands, problems are surfacing. In January 1994, the state of Tennessee ordered 900,000 Medicaid recipients into managed care almost overnight; one HMO says its membership jumped tenfold to 300,000.

One result was an avalanche of complaints. Some HMOs didn't have enough primary-care doctors. Half the eligible recipients didn't choose an HMO and were arbitrarily assigned to one, leaving them with no idea which doctor or hospital to go to. Revenue at some hospitals plummeted. Moreover, HMOs have refused to pay for tens of millions of dollars of care delivered to HMO members who sought care at hospital emergency rooms. The HMOs say the patients shouldn't have gone there.

"To say the system is under stress is an understatement," says Burt Walker, who runs Regional Medical Center at Memphis, Tennessee's largest provider of Medicaid-funded services. Declines in revenue have forced it to reduce its staff 18% and curtail heart and cancer services for the poor.

Upheaval in New York

Nowhere is the story being played out with more intensity and with more at stake than in New York. The state spends 2½ times the national average on health care per Medicaid recipient; yet in the inner city, infant mortality rates remain high, childhood immunization rates are low, and thousands of people end up in the hospital for illnesses that most people manage in a doctor's office. "What we've been doing

with this population isn't the answer," says Maria Mitchell, health-policy adviser to New York Mayor Rudolph Giuliani.

At least 18 HMOs that believe they have the solution now are competing for Medicaid patients in the city's neighborhoods—11 in Brooklyn alone. They are enrolling 20,000 new members a month. The HMOs get monthly per-member payments (called "capitation") based on 95% of what it costs the state to care for the average Medicaid recipient under the traditional program. In New York, U.S. Healthcare gets \$575.20 a month for each infant under one year old, \$68.13 for each child one to 14 years old and \$182.16 for each adult 21 to 64, according to the state health department.

As in the commercial market, HMOs get paid whether they see the patients or not, but they absorb any losses if their costs, including hospital care, exceed the capitation. Hospital use among Medicaid recipients not in HMOs is about triple that of the general population, and the current capitation rates offer substantial returns for managed-care insurers adept at reducing hospital use, analysts say. Indeed, shares of Oxford Health Plans jumped 13% on March 27, partly because a securities analyst picked the Norwalk, Conn., company as a big winner in New York's Medicaid managed-care sweepstakes.

Faster Pace Sought

So far, HMOs have signed up 525,000 members statewide, including nearly 350,000 in the city. Now, Gov. George Pataki wants to accelerate the program and make enrollment mandatory for nearly two million eligible recipients by late next fall. The Republican governor is pressing for additional Medicaid cutbacks that would reduce payments to hospitals in the fiscal year ending next March 31 by more than \$600 million.

New York officials believe the state's experience with Medicaid managed care to date should make the swift switch to HMOs go smoothly—despite a rocky start.

In six months ended last August, for

instance, Kings County Hospital in Brooklyn turned away nearly 27,000 patients who had joined HMOs that didn't have contracts with the hospital. "Because they've used Kings County in the past, when they got sick they tried to come here again," says Gregory J. Calliste, its deputy executive director. "They don't understand the concept of managed care."

At Bronx Municipal Hospital Center, administrators say they get stuck for treatment costs in disputes over emergency-room care provided to HMO members. Typically, the officials say, managed-care patients get authorization for the visit by calling their HMO's 800-number. But if the patient turns out not to be an emergency, the HMO balks at paying the bill. HMO and city officials say such complaints reflect hitches inherent in any new venture and will eventually be resolved.

"From an economic standpoint," however, the rush to managed care is "a nightmare for hospitals," says Kenneth Raske, president of Greater New York Hospital Association. Most already lose money. Even at Brooklyn Hospital Center, which operates in the black, cash is so tight that Frederick Alley, its chief executive, holds a weekly meeting with his senior staffers just to decide which bills to pay. Meantime, some experts say at least a third of the city's 40,000 hospital beds won't be needed as managed care takes over.

Affected institutions include prestigious academic centers, such as Columbia-Presbyterian Medical Center, that depend on Medicaid revenue to support medical-education programs. But most at risk is the city-owned Health and Hospitals Corp., which runs 11 acute-care hospitals, plus other facilities. It depends on Medicaid patients for 70% of its \$3.8 billion annual revenue and could lose about 30% of that from the proposed Medicaid cuts.

Bruce Siegel, president, hopes to running it like a taking office, he h 8% of its work for beds and institu dards. He has als the HHC's own H onto its patient b

His efforts are system's averaged by 12%—a full da from the ninth-la No. 3 and is addi month. Dr. Siegel contracts soon th nue by adding so networks of priv ing in the right d

But more job loom. In addition recipients crowd agency rooms, th city's AIDS patie with AIDS, 40% of 25% of its substar chronic mentally are destined for little is known a provide services care.

Wakeup Call

Moreover, ag factors frustrate tals attractive to Kings County's wards, relics of standard amenit vision sets. Bron clinic has only o doctor, so docto tients dress and women often mus prenatal visit, to standards.

The HMO thre to correct proble leave unaddresse

Lots of Sour Grapes in the Effort To Uncork Good Wine's Secrets

Continued From First Page

Good Wine's roots. One of those was Rich Cartiere, a Napa Valley wine journalist. The valley has had its share of secrets, says Mr. Cartiere, editor of Wine Business News in Sonoma. "But it's been pushed to new heights in this case. . . . This is way overboard."

Some documents, including an application to make wine filed with California authorities, proved partly revealing. For example, the liquor license issued to Spring Mountain identified Good Wine as a Delaware corporation wholly owned by Frecrest Ltd., a British Virgin Islands concern. It also listed the company's chairman as Constantin "Don" Yannias, Mr. Yannias, who is also president of a Chicago commodities-trading firm, is a pal of high-profile Swiss banker Edmond Safra.

In fact, Messrs. Yannias and Ferrell worked with Mr. Safra on a failed plan in 1992 to buy Lyeth Vineyards and Winery, another Napa Valley holding. Mr. Safra, of course, has other claims to fame: He collected an \$8 million settlement on behalf of his favorite charities from American Express Co. in 1988 after the company acknowledged it had conducted a smear campaign against him.

The connection between Mr. Yannias and Mr. Safra immediately led to speculation that Mr. Safra, a principal in Safra Republic Holdings SA, was the investor. Not so, Mr. Ferrell says.

And curious wording in Good Wine's

boyish but gray-haired Mr. Ferrell during a Jeep tour along steep roads running through his new properties.

Good Wine's investor is Jacob Safra, a nephew of Edmond Safra, Mr. Ferrell says. He is a European investor and wine collector with a residence in New York. He was said to be traveling in Europe yesterday, and couldn't be reached for comment.

The secrecy was purely a real-estate ploy, Mr. Ferrell adds. All of the vineyards, including Draper, are contiguous. Good Wine simply thought this would be shrewd way of buying them all without people jacking up prices; after all, the name Safra immediately connotes money.

And the rumors about Draper Vineyards also are true: Yesterday, Good Wine reached a deal with Jane Keresey to acquire her 50% interest. Mr. Ferrell says this last deal is the clincher in "a once in a lifetime opportunity to form a great wine-growing estate."

Maybe so. But Jerry Draper is flabbergasted—and mad as hell. "I'm not interested in being in business with them at all," he says of his new would-be partners. Mr. Draper filed suit in Napa County Superior Court against his sister, arguing that her proposed sale to Good Wine is illegal because he has an verbal right of first refusal to buy her half-interest. Ms. Keresey couldn't be reached for comment; her lawyer denied the allegation, as well as Mr. Draper's assertion that she had been "worked over" in the negotiations with

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se about 30% of
icaid cuts.

Bruce Siegel, the HHC's 34-year-old president, hopes to save the institution by running it like a business. In the year since taking office, he has slashed 4,000 jobs, or 8% of its work force, closed more than 100 beds and instituted productivity standards. He has also revamped MetroPlus, the HHC's own HMO, in an effort to hold onto its patient base.

His efforts are beginning to pay off. The system's average hospital stay has shrunk by 12% — a full day. MetroPlus has jumped from the ninth-largest HMO in the city to No. 3 and is adding 3,700 new members a month. Dr. Siegel expects to sign several contracts soon that would increase revenue by adding some HHC hospitals to the networks of private HMOs. "We're heading in the right direction," he says.

But more job cuts and other challenges loom. In addition to the regular welfare recipients crowding its clinics and emergency rooms, the HHC cares for 40% of city's AIDS patients, 90% of its children with AIDS, 40% of its tuberculosis patients, 25% of its substance abusers and 35% of its chronic mentally ill. Most such patients are destined for HMOs eventually, but little is known about how to finance or provide services to them under managed care.

Wake-up Call

Moreover, aging facilities and other factors frustrate efforts to make the hospitals attractive to private HMOs. Many of Kings County's 1,270 beds are in open wards, relics of the 1920s, and lack such standard amenities as telephones and television sets. Bronx Municipal's outpatient clinic has only one examining room per doctor, so doctors stand idle while patients dress and undress. Newly pregnant women often must wait weeks for an initial prenatal visit, too long under most HMO standards.

The HMO threat is prompting the HHC to correct problems it might otherwise leave unaddressed. "If you can't deliver

care in a managed-care mode, it's not worth much anymore," says William Walsh, Bronx Municipal's chief operating officer. "The market forces don't care about our mission. We need to be able to compete." Eventually, city officials want to privatize the city-owned system, with some facilities probably being closed.

Meantime, a new health-care system is emerging. On Brooklyn's Coney Island Avenue, financing from Oxford Health Plans helped turn a financially imperiled doctors' office into a thriving practice that now serves 3,500 of Oxford's Medicaid enrollees, mostly Russian immigrants.

Elsewhere, in the borough's poverty-ridden East New York section, Alonzo Sherman and another doctor recently opened a private practice in the Nelson Mandela Community Center. Dr. Sherman says he could do it because Managed Healthcare Systems provides enough cash flow by paying him a monthly fee for its members instead of the usual state fee of \$11 an office visit.

One of his patients, AnneMarie David, says that before she joined the HMO, it wasn't unusual for her to show up for a morning appointment at an outpatient clinic and not see a doctor until the next day. She never saw the same doctor twice. Now, the 31-year-old mother of four says she rarely waits more than a half hour to see Dr. Sherman. And he takes a real interest in her; he recently reminded her to bring him a picture of her six-week-old. The HMO "works for me," she says.

Dr. Siegel acknowledges that the city's delivery system — both public and private — isn't prepared to make it work for the expected rush of new Medicaid managed-care patients. But "the demand for cost containment is going to push the agenda faster than any provider wants," he says. "We can try to delay it, but we ought to spend our time getting ready for it."

American Express Bars Consulting Pacts For Outside Directors

Continued From Page A3

ists and academics formed by the National Association of Corporate Directors is expected to release a report condemning board-member consulting deals in June. Several panel members say they expect the commission to take a strong position against consulting contracts, although some members believe there should be a loophole for special circumstances.

At American Express, the board implemented the ban on using outside directors as consultants because it considered it a "bad idea" that "just confuses roles," according to an outside director. American Express Chairman Harvey Golub initiated the new guideline during a wide-ranging discussion of corporate governance issues, according to someone familiar with the company. "He felt that directors should not be dependent or reliant on the company," the insider said.

Although a company spokesman declined to comment on the boardroom discussions, other board members apparently agreed with Mr. Golub's thinking. "People should do one thing or another," the outside director says. He also agrees that The Dr. Kissinger deserves to be exempted, saying, "American Express has gotten very good value from Henry."

Dr. Kissinger is also a director of Freeport-McMoRan Inc., a New Orleans-based mining concern that paid Kissinger Associates \$500,000 in consulting fees in 1993. The company said Dr. Kissinger's firm helped to analyze overseas business opportunities. Dr. Kissinger also serves on the boards of several other companies, including Continental Grain Corp., CBS Inc., Revlon Group Inc., and Trust Company of the West.

Who gives you free airfare after six rentals?

To: *From:*
From: Jessica 65529

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: March 30, 1995

95 APR 18 P4:

Date of Request: 3/10/1995
Request for: POTUS/FLOTUS
Type of Request: Honorary Chairs
Requestor Name: Mr. Frederic R. Kornberg
Title:
Organization: The Curtis Institute of Music
1830 Rittenhouse Square
Number 17A
Philadelphia, Pennsylvania 19103
Contact Tel. #: 215/893-5252
Event Date: 4/24/1995
Event Description: The National Festival of the Arts
Notes: The writer claims that the Curtis Institute is the only tuition-free conservatory in the western hemisphere. The Festival will celebrate the school's 70th birthday and will consist of a concert given by the students and faculty. The event will be broadcast on a local radio station.

Recommendations:

MW _____

JP *JP* _____

EB _____

THE CURTIS INSTITUTE OF MUSIC

1726 LOCUST STREET

PHILADELPHIA, PENNSYLVANIA 19103

(215) 593-5252

FAX (215) 593-0194

March 10, 1995

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

Dear Mr. President:

We are writing to you as Board members of the Curtis Institute of Music to inform you that we are celebrating our 70th Birthday on April 24th, 1995 at the Ritz Carlton Hotel in Philadelphia.

As you are aware The Curtis Institute is the only tuition free conservatory in the western hemisphere. The students are chosen on merit from around the world. ~~We would be delighted if you and Mrs. Clinton as honorary chairs of The National Festival of the Arts could attend; in lieu of that a letter of recognition and congratulations to be read by our esteemed director, Mr. Gary Graffman, would be richly appreciated.~~ Enclosed is a self-addressed envelope to be mailed to our home to avoid confusion surrounding the event. However, kindly address your salutation to Mr. Gary Graffman, director of the conservatory.

With kindest regards and best wishes for your continued success in leading our country.

Sincerely,


Fredric R. Kornberg

1830 Rittenhouse Sq. #17A
Philadelphia, PA 19103

Republican Speeches In Support of
Dr. C. Everett Koop

In 1981 President Reagan nominated Dr. C. Everett Koop to serve as Surgeon General. Dr. Koop was vehemently anti-choice, and had expressed that and other reactionary views in very strong terms. Republicans generally supported Koop, not by arguing he was right, but by insisting those views (and abortion) were not relevant to the job, and that Koop should not be rejected merely because his positions were controversial.

Particularly useful are the remarks by Hatch (4, 27498), Specter (2, 27512), Nickles (29), Jepson (27510), Heinz (27516) and Gorton (27517).

Attached are copies of the Senate debate (127 Cong. Rec.) and of the opening statements of Koop hearing.

E.S.

Eric—
can you pull
the good quotes
in to a 2 page
memo
Thanks
JPH

AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.

ATTORNEYS AT LAW

A REGISTERED LIMITED LIABILITY PARTNERSHIP
INCLUDING PROFESSIONAL CORPORATIONS

1333 NEW HAMPSHIRE AVENUE, N.W.

SUITE 400

WASHINGTON, D.C. 20036

(202) 887-4000

FAX (202) 887-4288

WRITER'S DIRECT DIAL NUMBER (202) 887-4190

April 7, 1995

95 APR 11 P2:42

BRUSSELS, BELGIUM
MOSCOW, RUSSIA

Handwritten: Dorskind ✓

DALLAS, TEXAS
AUSTIN, TEXAS
SAN ANTONIO, TEXAS
HOUSTON, TEXAS
NEW YORK, NEW YORK

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The two of us would like to formally request that you, Mr. President, consider awarding the Medal of Freedom to Lew R. Wasserman. Frankly, neither of us realized that he had never received it.

In recent years, the Medal has been diminished a bit because of the somewhat casual way it was awarded during the Reagan years. Lew Wasserman fits into the pattern of the best of those who received it in past years. He is now 82 years of age, and surely one of America's most distinguished citizens. He has given generously of himself and of his means to a broad array of philanthropic and educational endeavors.

In California, he stands out like a giant and is the only person we can think of who has one foot in the business community, one foot in the entertainment community and one foot in the philanthropic community. His life has been such that he lends dignity wherever he goes and to everything he touches.

He is accepted by Democrats and Republicans alike in California and in the Congress. He has a tremendous reservoir of respect and goodwill in other areas of the country, and indeed, the world. We join in suggesting to you that this distinguished award to Lew Wasserman would mean more to this great American than anything that has happened to him, and at the same time would be good for his State, our country and for you, Mr. President.

Respectfully submitted,

Robert S. Strauss
Robert S. Strauss

Vernon E. Jordan, Jr.
Vernon E. Jordan, Jr.

Danny Podesta

CENTER FOR THE STUDY OF THE PRESIDENCY
208 EAST 75TH STREET NEW YORK, N.Y. 10021 212 249-1200 FAX 212 628-9503

OFFICE OF THE PRESIDENT

April 4, 1995

95 APR 11 P2:42

Hon. Alexis Herman
Assistant to the President
Director of Public Liaison
The White House
Washington, D.C. 20500

Dear Alexis:

How can I begin to express the appreciation of the Center for the Study of the Presidency for all of your good works as related to the Center's programs. Again, you made possible the White House briefing session for the Center Fellows. Moreover, your keynote address was outstanding and inspiring.

Representative of the many, many letters of appreciation is the enclosed letter of March 29, 1995 from Tom Fox representing Bowling Green State University in Findlay, Ohio. You may note he cites both you and Edwin Dorn, whose participation your office made possible. Also, I enclose a copy of the letter of March 30, 1995 from one of the Nation's most distinguished economists, Dr. Paul W. McCracken, former Chairman of the President's Council of Economic Advisers.

It is my hope, Alexis, that you and I will continue to have opportunities to work together. As your Uncle Nat may have told you, I expect to step down as President of the Center at the June 8th Annual Meeting, but will continue as Chairman of the Board. We hope you will be our very special guest at the Center's June 27th Anniversary Awards Dinner when your colleagues, Leon Panetta and Michael Kantor, will be honored.

DW
Further, we hope you can help us with our 26th Annual Leadership Conference convening at the J.W. Marriott-Downtown, Chicago the weekend of November 17-19, 1995. This will bring together business and professional leaders from throughout the Nation, and we believe, it is important enough either for the President or the Vice President to address the conference either at the Friday evening, November 17th, keynote, or the Saturday, November 18th, luncheon or dinner. Kindly advise me as to how we might best convey this invitation.

R
Finally, may I hereby convey to you my highest regard for your Uncle Nat, who, aside from myself, is the most senior member of the Board of the Center for the Study of the Presidency, and the Chairman of its Nominating Committee. As indicated in his enclosed resume, he has been honored by many Nations and I would hereby like to nominate him for consideration for our Nation's highest private citizen's award, that is, the Medal of Freedom. In the event you have any counsel as to how I could move this nomination forward, I would be additionally grateful.

Again, you have our abiding thanks.

Warm regards.

Sincerely yours,

Gordon
R. Gordon Hoxie
Encls.

*Doriskind
for 1996*



THE COMMISSIONER OF SOCIAL SECURITY
BALTIMORE, MARYLAND 21235

03 MAR 23 14:10

March 20, 1995

*Tim
Jaworski
frj
Tom*

Mr. John Podesta
Staff Secretary
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. Podesta:

When the Social Security Administration (SSA) becomes an independent agency on March 31, we will be making more than just history. As SSA becomes an agency that has greater accountability to the American people and more visibility with which to educate and inform the public, we will be making a more positive difference in the lives of those we serve.

I am proud to serve as the first Commissioner of the new, independent SSA. While I am excited about the changes that will take place, I am even more eager to continue the progress we've made toward achieving the agency's primary goals--rebuilding public confidence in Social Security, providing world-class service to the public, and providing SSA's employees with the tools, training and empowerment they need to provide extraordinary service.

It is important that we maintain effective lines of communication within the Administration. Toward that end, the following persons, in addition to myself, will be available to assist you and your staff on matters of mutual interest and concern:

Lawrence Thompson, Principal Deputy Commissioner
(410) 965-9000, Fax (410) 965-9971

Brian Coyne, Chief of Staff
(202) 482-7100, Fax (202) 482-7105

Ann Scheppach, Director, Executive Secretariat
(410) 965-3620, Fax (410) 965-3443, Internet
es_inbox@ssa.gov

Correspondence may be mailed to 900 Altmeyer Building,
6401 Security Boulevard, Baltimore, Maryland 21235, Attention:
Executive Secretariat.

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: March 28, 1995
501.111.28 P3: 46

Date of Request: 3/08/1995
Request for: POTUS
Type of Request: Honorary Chairman
Requestor Name: Mr. Harold F. Gracey
Title: Chief of Staff
Organization: Department of Veterans Affairs
810 Vermont Avenue, N.W.
Washington, D.C. 20420
Contact Tel. #: 202/273-5735
Event Date: 11/11/1995
Event Description: 1995 Veterans Day National Committee
Notes: Mr. Gracey requests permission to use the President's name on the Veteran's Day stationery. The President has accepted for the past two years.

Recommendations:

JP



EB

The President
The White House
Washington, D.C. 20500-2000

Dear Bill:

Thank you so much for answering my last letter so quickly. I am a little disappointed that Mr. Webster couldn't work a visit to Sligo Middle School into your schedule for the time being but I certainly understand the enormous demands on your time. This isn't, however, why I'm writing today. I must tell you about a very urgent situation which I hope you can act on.

A very dear friend of ours, Dr. Calvin Sperling, is fighting what appears to be a losing battle against malignant melanoma despite the on-going efforts of the National Cancer Institute. Calvin is a Ph.D. biologist with the U.S. Department of Agriculture in Beltsville, Md. Until last June, when he went into the NIH Clinical Center for treatment, he headed up the agency's international exploration group in search of germplasms to place in USDA's seed bank and save the world's plant species from extinction. This is important because diversity enables scientists to develop stronger varieties of plants to feed the world's expanding populations. I am enclosing two articles, from Fortune and Time magazines about him.

Apart from Calvin's significant scientific accomplishments before the age of 35, he is one of the most truly kind, generous, courageous and joyous people I have ever known. He learned of his melanoma on the day he and his wife also learned they would become parents for the first time. This enormous cloud over their lives still has not diminished his drive and optimism. Those of us who know and love him also knew all along that he was destined for professional greatness in his later life. This is not unlike those of us who went to Georgetown with a certain young man of similar personality whom we also felt was going to go on to accomplish great things.

Bill, Calvin may not live long enough to see his work and his life recognized in a way that we deeply believe it should be. Some even viewed him as having a Nobel Prize in his future. As his boss, is it possible for you to officially honor him and his work when he can appreciate the recognition? I know this would mean so much to him and his family.

I know President's can't cure cancer, but your personal acknowledgment of a truly outstanding human being and federal civil servant would be a great gift to Calvin. Thank you so much for your consideration of this request.

Sincerely,

Stefanie Weldon
Stefanie Weldon

W H

Through Podesta

9026 Fairview Road
Silver Spring, MD 20910

5 April 1995

95 APR 11 P2:42

discuss

Robert

*at 10:00
to the
things are
do? Can we
at 10:00
any more*

*TO Tim Sawyer
Tim Dorskind
let's*

THE PRESIDENT HAS SEEN 4/18

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

APR 13 1995 APR 13 7:38

press release
Manning / cc: Egan

MEMORANDUM TO THE PRESIDENT

From: Robert B. Reich RBR

Subject: Lifelong Learning and the New Covenant—Framework and Illustrations

Some thoughts on how you can frame lifelong learning as a cornerstone of the New Covenant, along with some concrete examples. (charlie attached)

I. Framework

As you continue to highlight this agenda, you may find a framework like this useful:

- The Administration's lifelong learning agenda applies the principles of the New Covenant -- opportunity and responsibility -- to America's most urgent economic problem -- stagnant or falling incomes and the consequent threat to our middle-class tradition.
- Skills bring opportunity, and skills can be learned. Every year of education after high school boosts average earning power by six to twelve percent. Unlike the barriers of race or class or gender that have barred too many Americans from the middle class throughout our history, barriers based on inadequate skills can be overcome by almost anyone.
- But it's not easy. Every schoolchild knows that learning is hard work, requiring discipline and responsibility. In today's economy, with its imperative of lifelong learning, more and more Americans have to continue this hard work of skill-building even after they've taken on all the other responsibilities of adulthood. Learning new skills while earning an income, raising your kids, and living your life is a major challenge.
- Government can't do it for you. There are some things that government can't do and shouldn't try to. It can't take us back to the old days when it seemed you could walk from your high-school graduation to the factory gate and get a good job for life. It can't create government jobs to take care of all the people who have a hard time

finding a place in the private sector. And it can't effortlessly endow people with new skills. You have to earn those skills yourself.

○ But government can clear the path to opportunity. The right policies can help people climb over the obstacles that block them from building up their productive power and earning better lives for themselves and their families. Government can support and encourage citizens who are taking responsibility for expanding their options, increasing their ability to create value, and adapting to changing economic realities. Each accomplishment on this agenda as well as our new proposals embodies the New Covenant:

Accomplishments:

- An expanded Head Start. More than 100,000 additional children can now participate in this proven program.
- Goals 2000. Schools have new incentives to improve their performance. And the nation has a system of voluntary skill standards to certify that workers have the skills necessary to get and keep good jobs
- A nationwide network of apprenticeships. In the first year alone, 22,000 students and 7,000 employers participated in the School-to-Work program. By 1997, every state will have the opportunity to implement School-to-Work plans.
- Easier, cheaper access to student loans. Our direct lending plan will make college loans more affordable for 20 million people -- and save taxpayers some \$6 billion by the end of the decade.
- A new "reemployment" system for laid-off workers. One-stop career centers linking unemployment insurance, computerized jobs data, job counseling, and access to training are now up and running in 6 states; by the end of the year, these centers will be operating in 16 states.

New Proposals:

- Skill grants for low-income and laid-off workers -- up to \$2600 per year for two years so that individuals can get the training that's right for them.
- Tax deductions for education and job training -- up to \$10,000 per family each year.

II. Examples

Here are some concrete, real-world examples. (You've met many of these people.)

School-to-Work Opportunities

Chris Brady, Boston, MA. (You met Chris Brady last May when you signed the School-to-Work Opportunities Act -- he introduced you at the ceremony. He was going great then, and he continues to thrive.) Two years ago, Chris Brady didn't even plan to complete high school. He didn't see the point. But a pioneering school-to-work program showed him the payoff to working on his skills, and mapped out a path to a better life. Today, he is a business major at Newbury College, working part-time at the Fleet Financial Group. The son of a meat cutter, Chris is the first member of his family to go to college. His practical experience in financial services both depends on and makes relevant his work in school. "I actually enjoy going to school," he reports. "In fact, I arrive an hour early."

Ya-Juane Liang, Flint, MI. Ya-Juane Liang is one of the young women who helped build the desk on which you signed the School-to-Work Opportunities Act last May; the desk is now proudly displayed at the national School-to-Work headquarters.) For the past two years, Ya-Juane combined high school with a series of rotations at Atlas Technologies through the school-to-work program run by the Manufacturing Technology Partnership in Flint. She was trained in every aspect of the manufacturing firm's business, including purchasing, design, and production. She has just been admitted to the General Motors Institute, a highly competitive post-secondary program.

Reemployment

John Hahn, Eggertsville, NY (You met John at the "What is Working" Conference last year.) He told of the isolation and shame he felt at being laid off, after 28 years, from Bell-Aerospace in Rochester, NY. There seemed to be enormous obstacles -- time, money, information -- to starting over on a new career. But John made it. He started off with advice and information from the counselors at the Niagara County Gateway Program. Federal job training funds covered his tuition and books as well as a travel allowance, which made it possible to attend classes without uprooting his family. He completed his 6 month training, received his certificate and is now employed as a biomedical technician at DeGraff Memorial Hospital, with wages comparable to what he earned before.

Effren Puente, Miami, FL (You met Effren in Atlanta at our Economic Conference this past March.) Effren spoke of how he had navigated his transition from working on huge metal air frames for Pan American Airways to marketing fine wines. Hearing the announcement of Pan Am's demise on CNN, Effren was confused and in shock. His father was a retired Pan Am employee who had also dedicated his life to the airline. His ten-year history of hard work and commitment seemed to have turned to ashes. But Effren had learned the habits of taking responsibility and seizing opportunity, and -- with a little help -- those habits served him well. After receiving counseling and information on retraining opportunities at the Florida Training and Employment Council's Dislocated Worker Program -- and with financial support from the federal dislocated worker program -- Effren returned to school and earned his Bachelor of Business Administration. At age thirty-two, he has gone from airline mechanic to marketing executive for a local wine distributor in Miami.

One-stop Career Centers

Alma Willis, Louisville, KY (You met Alma at the "What is Working" Conference last year.) Alma and her husband both lost their jobs when the construction company they worked for folded. Determined to build new skills to expand her options beyond the clerical work she'd done in the past, she came to the Louisville Job Link -- another pioneer one-stop center. Because the Job Link housed multiple programs, Alma was able to apply for food stamps to ease the family budget while she worked on her skills, undergo an assessment with career counselors, and get referred to the right training. Her counselors at the Job Link noted her interest in the medical profession and were able to place her with Dialysis Service Group, which trained her as a dialysis technician. She has been employed -- earning raises -- for over a year. She plans to continue here education and become a registered nurse.

Dwight Jackson, Des Moines, IA Dwight feared a layoff at his company, Amoco Processing Center in West Des Moines. He visited the Iowa Workforce Development Center, where he learned how to use the computer job-search resources, reviewed job and labor market information in the Data Center, and produced his resume. His new skills earned him a job with Amoco as Human Resources Director -- where he now works with the one-stop center from the other side of the desk, on behalf of his employer.

Michael L. Stewart, Tampa, FL Michael Stewart was a veteran, and a member of the first Space Shuttle launch team. But as the aerospace industry went through rounds of downsizing he lost his job, and found himself homeless and living on public assistance. After being shuttled between various social service agencies, he went to the Tampa Employment Service Center where he finally got the opportunity to get his career back on track. He got help putting his resume together, and enrolled in a training program to update his computer skills. Once he completed his training, he worked with the one-stop center to market his new skills until he landed a good job. Today, he works at a small defense contractor, for good wages. (The Tampa Tribune's magazine section will be doing a feature on Mr. Stewart in the next few weeks.)

America's Job Bank on the Internet

Michael Lamon, North Carolina Michael Lamon recently used new Internet access to America's Job Bank to shift his career to North Carolina -- from Antarctica, where he was working as a software specialist for a National Science Foundation team. Wanting to launch his job search before actually moving back, he hooked into the Internet to look for suitable positions. He found a "logistical engineer" position in North Carolina's Job Bank, sent an electronic message to the State Employment Service expressing his interest in the job, and asked for an electronic referral. He then zapped his resume to North Carolina, and was referred to the job, all from thousands of miles away. He has subsequently been electronically referred to five other positions and is now back in North Carolina pursuing well-developed job leads.

Let me know if more information, or further examples, would be helpful.



U.S. Department of Justice

Civil Rights Division

THE PRESIDENT HAS SEEN

4/18

Office of the Assistant Attorney General

Washington, D.C. 20035

95 APR 13 P1:23

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

THROUGH: George Stephanopoulos

FROM: Deval L. Patrick
Assistant Attorney General
Civil Rights Division

SUBJECT: California Civil Rights Initiative

Geo S.
has seen

[Handwritten signature]

Discussion

As you requested, attached is a memorandum addressing (1) the scope and interpretation of California's so-called "Civil Rights Initiative" and (2) the impact of a federal version of the initiative.

Also attached is a draft initiative that might be promoted in California as an alternative to the CCRI. It contains similar anti-discrimination language, but prohibits only the practices that are commonly viewed as misuses of affirmative action, rather than all affirmative action measures whatsoever.

Attachments

MEMORANDUM ON THE CALIFORNIA CIVIL RIGHTS INITIATIVE

Executive Summary: The California Civil Rights Initiative (CCRI) is a proposed ballot initiative that would amend the California state constitution to prohibit "preferential treatment" based on race, national origin, or gender in public employment, education, and contracting. The amendment would invalidate most state and local government affirmative action programs. Governmental entities could only take race or gender into account where required to do so under a court order to remedy past discrimination, or where necessary to maintain eligibility for federal funds. The CCRI would thus be far more restrictive than the standard the Supreme Court has applied to government affirmative action programs under the Equal Protection Clause.

A federal version of the CCRI would similarly call into question most federal affirmative action programs. It would prohibit all branches of the federal government from taking race or gender into consideration in federal employment or in the award of federally-sponsored education grants. It would also drastically affect a number of federal contracting programs intended to benefit disadvantaged businesses and businesses owned by minorities or women. Federal Communications Commission policies intended to make the public airwaves accessible to a diverse array of groups might also be invalidated.

This memorandum addresses two issues: (1) the scope of the CCRI, and (2) the effect such an initiative at the federal level would have on federal programs.

I. Scope of the California Civil Rights Initiative

A. What it says

The California Civil Rights Initiative (CCRI) is a proposed amendment to the California state constitution that would prohibit voluntary affirmative action by the state government in public employment, education, and contracting. Supporters of the measure are attempting to place it on either the March or November 1996 ballot through one of two routes: obtaining the vote of two-thirds of each house of the state legislature, or collecting approximately 700,000 signatures on a petition. The proposed amendment was rejected by the state Assembly prior to the 1994 election, but was reintroduced in December 1994 and is currently pending in the legislature.^{1/} The proposed amendment, as introduced before the Assembly, provides as follows:

^{1/} The measure was rejected in the Senate Governmental Organization Committee by a 5-4 vote on March 28, 1995, and is now considered very unlikely to emerge from the California legislature.

(a) Neither the State of California nor any of its political subdivisions or agents shall use race, sex, color, ethnicity, or national origin as a criterion for either discriminating against, or granting preferential treatment to, any individual or group in the operation of the State's system of public employment, public education, or public contracting.

(b) This section shall apply only to state action taken after the effective date of this section.

(c) Allowable remedies for violation of this section shall include normal and customary attorney's fees.

(d) Nothing in this section shall be interpreted as prohibiting classifications based on sex that are reasonably necessary to the normal operation of the State's system of public employment or public education.

(e) Nothing in this section shall be interpreted as invalidating any court order or consent decree that is in force as of the effective date of this section.

(f) Nothing in this section shall be interpreted as prohibiting state action that is necessary to establish or maintain eligibility for any federal program, where ineligibility would result in a loss of federal funds to the State.

(g) Nothing in this section shall be construed as prohibiting a public agency from obeying a court order requiring the consideration of racial, ethnic, national origin, gender, or religious characteristics to remedy the effects of its own past discriminatory practices.

(h) If any part or parts of this section are found to be in conflict with federal law or the United States Constitution, the section shall be implemented to the maximum extent permitted by federal law and the United States Constitution.

Any provision held invalid shall be severable from the remaining portions of this section. ^{2/}

B. What it means

Essentially, the CCRI would prohibit state and local governments from voluntarily considering race, national origin, or gender in almost any way in public employment, contracting, and education. It thus would have a significant impact on the ability of state and local government to use affirmative action as a tool to remedy discrimination or promote diversity, and would probably eliminate most voluntary government affirmative action programs.

It is possible to interpret the language of the CCRI so as to limit its effect on affirmative action programs. The term "preferential treatment" is not defined and could be construed to prohibit only the selection of individuals who are not qualified, since, arguably, it is not preferential treatment to choose one qualified candidate over another. Thus, the argument would run, CCRI would not prohibit reliance on race or gender to choose from among a pool of qualified applicants. In addition, the initiative would not affect existing consent decrees and would permit new race- and gender-conscious remedies for discrimination proven in court. Finally, the initiative would permit any action necessary to comply with federal law. So construed, CCRI would do nothing more than prohibit voluntary adoption of the type of "quotas" that this Administration has repeatedly spoken against.

Another argument that CCRI is limited would flow from section (b), which states that "the initiative shall apply only to state action taken after the effective date of this section." Some might argue from this that only new affirmative action measures are prohibited, that any existing voluntary measures are permitted. This argument, together with the foregoing one, would maintain that CCRI does no more than curtail future, voluntary race- or gender-consciousness in state government decisionmaking. Court orders to remedy discrimination, consent decrees currently in effect, actions necessary to establish or maintain eligibility for federal funds, and current affirmative action measures would all remain untouched.

This interpretation is strained and unlikely to prevail. By most press accounts, proponents of the measure intend to prohibit

^{2/} The text of the CCRI as it may appear on the 1996 ballot is uncertain. The version before the state legislature is the model for this analysis. Other versions reported in the press contain additional exceptions, such as for affirmative action in police and firefighter hiring.

any consideration of race, and any consideration of gender except as is "reasonably necessary" in education or employment (e.g., separate locker rooms for men and women). That result flows from the plainest meaning of the terms used. The ultimate interpretation of the language will be left to the California courts. While it is impossible to predict the outcome, it is safest to assume that the courts will follow the most obvious meaning of the language and prohibit any consideration of race and allow only limited consideration of gender. The remainder of the analysis in this memorandum offers and builds upon an interpretation of the CCRI that is most likely to prevail.

It is also important to note that adoption of CCRI is likely to produce tremendous symbolic impact. Regardless of any subsequent narrowing interpretation, its approval will be viewed by opponents of affirmative action programs in both the public and private sectors as a signal to curtail such programs. Sensing this consequence, several California companies have passed resolutions affirming their support for affirmative action.

C. What it does

Under current law, the ability of state and local governments to implement affirmative action programs is limited by the Equal Protection Clause of the Federal Constitution. The Supreme Court has applied strict scrutiny to such programs, and accordingly has held that state and local governments may give preferential consideration based on race only where a program is narrowly tailored to serve a compelling governmental interest. See City of Richmond v. J.A. Croson Co., 488 U.S. 469, 494 (1989) (plurality); id. at 519 (Kennedy, J., concurring). The need to remedy effects of past discrimination constitutes such a compelling interest, although a state may not use affirmative action to remedy general societal discrimination. Id. at 503. Governmental entities do not need to wait for a court order, but rather may take action if they have a "strong basis in evidence" for believing a remedy is necessary. Id. at 500; Wygant v. Jackson Bd. of Educ., 476 U.S. 267, 289 (1986) (O'Connor, J., concurring). In addition, the Supreme Court has allowed state institutions of higher education to consider race in the admissions process in order to obtain a diverse student body. See Regents of the Univ. of Calif. v. Bakke, 438 U.S. 265, 311-312 (1978) (opinion of Powell, J.); Metro Broadcasting, Inc. v. FCC, 497 U.S. 547, 567-568 (1990) (permitting federal government to consider race in awarding broadcast licenses and citing Bakke for proposition that diversity is constitutionally permissible basis for race-conscious university admissions program).

The CCRI would eliminate diversity as a permissible basis for affirmative action, and would severely curtail the ability of

state and local government to engage in voluntary affirmative action even to remedy discrimination. The CCRI prohibits any preferential treatment based on race, national origin, or gender. "Preferential treatment," though not defined by the initiative, presumably includes any consideration of a prohibited factor that affects governmental decisionmaking in awarding a job, contract, admissions slot, or other benefit. The CCRI may also prohibit outreach and recruitment efforts targeted toward women and minorities.

The logical implication of the CCRI's prohibition is that even where two candidates are equally qualified for a job, contract, or university slot, the state must flip a coin or employ some other race- and gender-neutral method of selection. In the context of higher education, for example, where colleges and universities often seek to enroll a more diverse student body by considering race as a "plus" factor, the CCRI on its face appears to prohibit any consideration of race, ethnicity, or gender. Institutions of higher education could continue to give preference to children of alumni, to athletes, and to applicants from disadvantaged backgrounds, but could no longer give any special value to contributions of women or blacks or other racial or ethnic minorities.

As noted previously, there are some limitations on the scope of the CCRI. First, it does not prevent government entities from carrying out state and federal court orders that require affirmative action as part of a remedy for past discrimination. Indeed, it could not do so. This exception is unlikely to have broad effect, however, as it only permits affirmative action where a public entity has been sued for discrimination, plaintiffs have prevailed at trial, and the court has included some form of affirmative action in the remedy. Even where it has a strong basis in evidence for believing that affirmative action is necessary to remedy continuing effects of past discrimination, a state or local government entity may not take voluntary action. In the absence of a court order, affirmative action thus cannot be used to meet state and local government's constitutional obligations to remedy past discrimination; the government must wait to be sued.

The CCRI also does not prohibit compliance with preexisting consent decrees, which have the same status as other court orders. It presumably would not, however, allow governmental entities to enter into new settlement agreements involving any type of preference based on race, national origin, or gender. Thus, if the United States were to bring suit against a city police or fire department for sex discrimination, the city might be unable to enter into a consent order involving consideration of gender in hiring or promotion. The United States would either have to forego such remedies or take the case to trial. Cf. In

re Birmingham Reverse Discrimination Employment Litigation, 833 F.2d 1492, 1501 (11th Cir. 1987) (consent decree entered into voluntarily is equivalent to voluntary affirmative action plan under Equal Protection Clause), aff'd sub nom. Martin v. Wilks, 490 U.S. 755 (1989).

In addition, the CCRI permits state action that is necessary to establish or maintain eligibility for federal funds. "Voluntary" affirmative action programs might therefore be allowed in some circumstances. For example, Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d, prohibits discrimination by recipients of federal funds, and the Department of Education's implementing regulations require recipients to take affirmative action to overcome effects of past discrimination. See 34 C.F.R. 100.3(b)(6)(i). If the Department of Education through its administrative enforcement of the statute notified the state that it must increase minority enrollment in its predominantly white colleges and universities, the state might be able to implement some form of affirmative action to meet that obligation. The language of the CCRI suggests, however, that the state would be obliged to implement all possible race- and gender-neutral alternatives before adopting any form of race- or gender-based preference to meet federal requirements. State and local governments fearing litigation under the CCRI thus may be hesitant to rely on this exclusion. Moreover, the state and its subdivisions apparently may not, in the absence of a court order, comply with any federal mandate requiring affirmative action if federal funding is not at stake.

Finally, the CCRI applies only to "preferential treatment" based on race, national origin, or gender. It does not prohibit consideration of other factors such as age or disability or veteran status. In particular, the CCRI does not prohibit preferential treatment on the basis of socioeconomic status. That omission would allow the state to redraft existing affirmative action policies to give preference to persons who have suffered socioeconomic disadvantage. But that approach has limitations. While many minorities from disadvantaged backgrounds would benefit from such programs, they would not be targeted toward minorities and thus would neither increase minority representation to the same extent as race-based affirmative action nor serve the primary goal of affirmative action, remedying discrimination against minorities. Nor would this class-based form of affirmative action do anything directly to benefit women or increase gender diversity.

An argument may be made that the CCRI is unconstitutional. It would amend the state constitution to make it impossible for racial minorities and women to obtain certain types of legislative or executive action intended to remedy past

discrimination or underrepresentation, while not limiting government action to assist other groups (e.g., veterans, the disabled). It thus impinges on the right of those groups to access to the political process on the same basis as others. Cf. Hunter v. Erickson, 393 U.S. 385 (1969) (striking down city charter amendment that required approval of voters for any legislation regulating housing discrimination); Washington v. Seattle School Dist. No. 1, 458 U.S. 457 (1982) (striking down initiative prohibiting use of mandatory busing for desegregation purposes because it reallocated governmental decisionmaking authority in such a way as to impose burden on racial minorities).

II. Effects of a Federal Version of the CCRI on Federal Affirmative Action Programs

A. Current Law

The Supreme Court has held that under the Fourteenth Amendment the federal government has greater discretion to engage in affirmative action than do state and local governments. In Fullilove v. Klutznick, 448 U.S. 448 (1980), the Court applied intermediate scrutiny to uphold a 10% minority business enterprise (MBE) program that Congress had enacted to remedy discrimination in federal procurement and construction contracting. The Court reasoned that a deferential standard of review was appropriate because of Congress's unique enforcement powers in matters regarding race pursuant to Section 5 of the Fourteenth Amendment, its Spending Power, and the Commerce Clause. Id. at 472-475, 483-484 (opinion of Burger, C.J.). The Court thus upheld the legislation even though Congress did not make specific findings of past discrimination in public procurement. Id. at 478. In Metro Broadcasting, Inc. v. FCC, 497 U.S. 547 (1990), the Court addressed the constitutionality of FCC policies giving preference on the basis of minority ownership in considering applications for broadcast licenses. The Court held that "race-conscious measures mandated by Congress -- even if those measures are not 'remedial' in the sense of being designed to compensate victims of past governmental or societal discrimination -- are constitutionally permissible to the extent that they serve important governmental objectives within the power of Congress and are substantially related to the achievement of those objectives." Id. at 548.

In a pending case, Adarand v. Peña, No. 93-1841 (argued Jan. 17, 1995), the Court is once again considering a challenge to a federal affirmative action program, in this case the Department of Transportation's race-conscious regulations encouraging federal contractors to utilize disadvantaged business enterprises (DBEs) as subcontractors. The United States has supported the program, arguing that intermediate scrutiny applies to race-based

congressional programs and a federal agency's implementation of such programs. The argument relies on Fullilove and Metro Broadcasting.

B. Application of a Federal Version of the CCRI

The federal government maintains a wide spectrum of affirmative action programs that would likely be affected by a federal version of the CCRI. A federal version of the CCRI would significantly change the law governing federal affirmative action programs, and would probably eliminate most such programs.

1. Federal employment. A federal version of the CCRI would clearly affect federal personnel policies. No federal government department, agency, or office would be able to consider race, national origin, or gender in hiring or promotion. Executive Order 11478 requires "an affirmative program of equal employment opportunity" in each executive department and agency. Exec. Ord. 11478 § 2; see also 5 U.S.C. 7201. The Office of Personnel Management regulations implementing these requirements define "recruitment" as "the total process by which the Federal Government and the Federal agencies locate, identify and assist in the employment of qualified applicants from underrepresented groups," and includes "processes designed to prepare qualifiable applicants (those who have the potential but do not presently meet valid qualification requirements) for such job openings through programs of training, work experience or both." 5 C.F.R. 720.201(e). Courts may construe special training and internship programs for minority applicants, like those described in the regulations, as "preferential treatment" or affirmative action if similar opportunities are not made available to nonqualified nonminority applicants.

In addition, various federal departments and agencies have instituted their own formal or informal affirmative action programs that in varying manners and degrees give consideration to race and/or gender. A federal version of the CCRI would eliminate or drastically limit such programs to the extent they are construed as giving preferences based on those criteria. This could make the federal government liable any time race or gender is a factor in an employment decision.

2. Education. Although the federal government's direct involvement in education is limited, the government has some affirmative action programs in the area of education that would be affected by a federal version of the CCRI. A federal version of the CCRI would, of course, prohibit any consideration of race or gender in admission to the service academies, such as the U.S. Naval Academy. In addition, a federal CCRI would probably invalidate a number of fellowship programs sponsored by the federal government that are intended to benefit women and

minorities, such as the Patricia Roberts Harris Fellowship Program, which provides grants for graduate study to underrepresented minorities and women. See 20 U.S.C. 1134d et seq.; see also 42 U.S.C. 1885a(8) (National Science Foundation fellowships for women in science); 16 U.S.C. 1649 (grants for minority and female students studying forestry).

3. Federal contracting. The largest category of federal programs that would be affected significantly by a federal version of the CCRI would be those involving federal contracting and set-asides.

(a) Small Business Act

Much of the federal contracting activity that includes a racial component derives from the statutory requirements of the Small Business Act. Section 8(a) of the Act, 15 U.S.C. 637(a), provides for a set-aside of federal contracting opportunities for socially and economically disadvantaged small business concerns. Much of the race-based procurement activity of most federal agencies takes place pursuant to this statutory provision. "Socially disadvantaged individuals" are "those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities."

The Small Business Act also requires that small DBEs and small businesses owned and controlled by women "have the maximum practicable opportunity" to participate in federal subcontracting opportunities. 15 U.S.C. 637(d)(1). Section 8(d) of the Act allows contractors to "presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and other minorities, or any other individual found to be disadvantaged" by the SBA Administrator. 15 U.S.C. 637(d)(3)(C). Under a federal CCRI initiative, the presumption that members of certain racial groups are socially disadvantaged would be invalidated.

(b) Highway construction contracting

Section 106(c) of the Surface Transportation and Uniform Relocation Assistance Act (STURAA), 101 Stat. 145, establishes a 10% goal for the utilization of small and disadvantaged businesses in federal funds authorized for interstate highway construction. Disadvantaged businesses are those businesses as defined by Section 8(d) of the Small Business Act, except that STURAA adds "women" to the categories of groups identified as socially and economically disadvantaged. Recipients of STURAA funds are required to establish goals for use of DBEs in federally-funded projects, 49 C.F.R. 23.64, and to establish individual contract goals for DBE participation on specific prime contracts that have subcontracting possibilities. 49 C.F.R. 23.45(g).

DBE goals for individual contracts are not rigid figures that bidders must meet under any circumstances. Rather, a bidder that fails to achieve an individual contract goal remains eligible to be awarded a prime contract if it can demonstrate good faith efforts to meet that goal. 49 C.F.R. 23.45(h). The kinds of efforts a recipient may consider in determining whether a bidder has acted in good faith include: (1) advertising in general circulation, trade association, and minority-focused media; (2) providing minority businesses with notice and information concerning the contract; and (3) contacting minority community organizations, contractors' groups, and other organizations providing assistance in the recruitment and placement of minority businesses.

To the extent minority persons receive "preferential treatment" in qualifying as socially disadvantaged, that preference would have to be eliminated under a federal version of the CCRI. Because STURAA requires "goals" for utilization of minority and women-owned businesses, and no firm preferences, it is unclear whether this provision might also be invalidated by a federal CCRI initiative. Recipients of STURAA funds are encouraged to advertise widely for solicitation of contracting and subcontracting bidders -- this includes ads in predominantly minority trade publications. Although a federal initiative would not preclude a requirement that STURAA recipients engage in widespread advertising for bids on federal highway construction, this kind of advertising does not necessarily ensure that an equitable number of federal contracting dollars will go to minority- or women-owned firms. For example, this initiative does not account for the discrimination in lending and problems in acquiring bonding that minority- and women-owned businesses encounter more frequently than others. Thus, even though widespread advertising lets minority- and women-owned businesses know about contracting opportunities, other barriers preclude these firms from aggressively competing for these contracts.

(c) Executive Order 11246

In addition to set-asides and subcontracting goals, the federal government requires affirmative action efforts in employment by federal contractors themselves. Executive Order 11246 requires all government contractors to "take affirmative action to ensure that applicants are employed * * * without regard to their race, color, religion, sex or national origin," and to include this provision in all subcontracts. Exec. Ord. 11246, §§ 202(1), 202(7).

As a practical matter, these "requirements" are aspirational in nature. Under the Executive Order and its implementing regulations, all federal contractors and subcontractors with 50 or more employees and a contract worth \$50,000 or more must file

written affirmative action plans including "an analysis of areas in which the contractor is deficient in the utilization of minority groups and women, and * * * goals and timetables to which the contractor's good faith efforts must be directed to correct the deficiencies and, thus to achieve prompt and full utilization of minorities and women, at all levels and in all segments of its work force where deficiencies exist." 41 C.F.R. 60-1.40, 60-2.10. Full utilization means having women and minorities represented in each job in the proportion that would reasonably be expected on the basis of their availability in the relevant workforce. 41 C.F.R. 60-2.11(b). By the terms of the regulations themselves, goals are not "rigid and inflexible quotas which must be met," but rather "targets reasonably attainable" through a good faith affirmative action program. 41 C.F.R. 60-2.12(e).

The impact of a federal version of the CCRI on these regulations is not as clear as the impact on federal set-aside programs, since the federal government itself is not giving "preferential treatment" to anyone on the basis of race or other prohibited factors, and since the regulations do not explicitly require "preferential treatment" by federal contractors. However, a federal initiative may apply to federal contractors as agents of the federal government, and such an initiative would appear in any event to be incompatible with the imposition of affirmative action requirements on federal contractors. Moreover, although the regulations appear to prohibit preferential treatment, see 41 C.F.R. 60-2.30, a federal CCRI would call into question the imposition of goals and timetables based on race and gender. While contractors may in some cases be able to meet goals through advertising and other forms of outreach to women and minorities, even targeted recruitment efforts would probably be prohibited. Any direct consideration of race or gender in employment decisions in order to meet goals would clearly be prohibited.^{3/} The goals and timetables requirement would therefore be either invalid or meaningless.

4. Broadcast licenses. One area of federal affirmative action that does not fall into any of the categories covered by the CCRI, but that might be included in a federal version, is a variety of FCC policies that take race and gender into account in granting broadcast licenses. Each of these policies, which are designed to ensure broad dissemination of broadcast licenses to a diversity of recipients, relies on racial or gender factors in the allocation process, and thus could be invalid under a federal initiative similar to the CCRI.

^{3/} Note that targeted recruitment is the principal means by which the Army has succeeded in integrating its entry-level ranks.

The Supreme Court has observed that "the widest possible dissemination of information from diverse and antagonistic sources is essential to the welfare of the public." Metro Broadcasting v. FCC, 497 U.S. 547, 567 (1990), citing Associated Press v. United States, 326 U.S. 1, 20 (1945). As the regulator of the public airwaves, the Federal Communications Commission has an important obligation to "[s]afeguard the public's right to receive a diversity of views and information over the airwaves * * *." Metro, 497 U.S. at 567. As a part of its mission, the FCC has adopted race- and gender-based policies to ensure that broadcast licenses are allocated to a wide variety of recipients as a way of promoting diversification of programming.

Two of the FCC's policies -- the minority preference policy in broadcasting, and the distress sale policy -- were held constitutional by the Supreme Court in Metro Broadcasting. A third, minority and gender preferences in auctioning wireless personal communications frequencies, is currently under constitutional attack. See Telephone Electronics Corp. v. FCC, Case No. 95-1015 (D.C. Cir.). A fourth race-conscious program -- allowing tax advantages for sales to minority-owned firms -- was recently repealed by legislation.

(a) Minority ownership policy

Under the FCC's minority ownership policy, the FCC awards an "enhancement" for minority ownership and participation in management, which is weighed together with all other relevant factors in comparing mutually exclusive applications for licenses for new radio or television broadcast stations. This policy was deemed constitutional by the Supreme Court in Metro Broadcasting, supra, but would be invalid under a federal version of the CCRI.

(b) Distress sale policy

The distress sale policy allows a radio or television broadcaster whose qualifications to hold a license have come into question, to transfer that license before the FCC resolves the matter in a noncomparative hearing, but only if the transferee is a minority enterprise that meets certain requirements. This policy would be invalid under a federal version of the CCRI.

(c) Auction of wireless personal communications frequencies

As part of the Omnibus Budget Reconciliation Act of 1993, Congress authorized the FCC to award licenses for certain uses of radio by competitive bidding. 107 Stat. 388 (1993). In authorizing the use of auctions, Congress directed the FCC to ensure that small businesses, rural telephone companies, and businesses owned by minority groups and women are given the

opportunity to participate in the provision of spectrum-based services. 47 U.S.C. Sec. 309 (j)(4)(D).

The FCC designed a race- and gender-based policy for allocating broadband personal communications services (PCS). Broadband PCS refers to services offered in the 2 GHz band. Under agency's auction procedure, certain categories of licenses are established for bid by qualified designated entities, such as small businesses, and minority- and women-owned businesses. For these entities, the FCC designed "bidding credits" (i.e. discounts off the bid price), so that these entities would not otherwise be out-priced by larger, wealthier companies for PCS licenses. This policy would be invalid under a federal version of the CCRI.

III. Conclusion

Although it is difficult to predict in the abstract precisely how far a federal version of the CCRI would reach, it is likely to have serious consequences for federal affirmative action efforts, however benign. It would go beyond the strictest level of constitutional scrutiny by prohibiting even measures that are narrowly tailored to serve a compelling federal interest. By broadly prohibiting any consideration of race, national origin, or gender, such a measure would drastically curtail the ability of the federal government to redress past discrimination and make true equal opportunity available to all groups.

CCRI ALTERNATIVE

SECTION 1. PROHIBITION OF DISCRIMINATION

Neither the State of California nor any of its political subdivisions or agents shall use race, sex, color, ethnicity or national origin as a criterion for discriminating against any individual or group in the operation of the State's system of public employment, public education or public contracting.

SEC. 2. PROHIBITION OF QUOTAS

No public employer, contracting agency or public institution of higher education may use a quota based on race, color, national origin or sex in the selection of an applicant or recipient.

SEC. 3. REMEDIES

(a) Goals based on race, color, national origin or sex can be effective in remedying discrimination and addressing systemic exclusion. Such goals are legitimate when they serve a constitutionally sufficient interest and

- (i) are flexible, to allow full consideration of all qualified candidates, and permit departure when there is an insufficient number of candidates who meet the valid qualifications for the position;
- (ii) are limited in duration and subject to periodic review, so that they will last only so long as they serve the constitutionally sufficient interest;
- (iii) accurately reflect the relevant labor pool;
- (iv) do not unnecessarily burden the vested rights of non-beneficiaries; and

(v) race, color, national origin or sex is only one of a number of factors in the selection process.

(b) In no instance may consideration of race, color, national origin or sex result in the selection of an individual who is unqualified for the position in question over an individual who is qualified.

SEC. 4. DEFINITIONS

(a) For purposes of this enactment, "public employer" shall mean any entity, agency or agent of state or local government.

(b) For purposes of this enactment, "public institution of higher education" means an institution of higher education that is controlled by the state or an instrumentality thereof.

(c) For purposes of this enactment, a "quota" shall mean a fixed numerical percentage that is not subject to waiver and permits hiring, promotion, selection or admission on the basis of race, color, national origin or sex in disregard of legitimate qualifications.

(d) For purposes of this enactment, a determination whether an individual is qualified or whether qualifications are valid or legitimate shall be made pursuant to the standards that govern such determinations pursuant to Title VII of the Civil Rights Act of 1964.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

THE PRESIDENT HAS SEEN ^{4/18}

April 12, 1995

MEMORANDUM FOR ERSKINE BOWLES

FROM: Sylvia Mathews ^{sent for} SM

SUBJECT: EITC

Attached are memoranda which outline our EITC strategy. One memorandum addresses the initiatives Treasury has pursued to promote the EITC. The other memorandum consists of talking points which include our efforts on combatting fraud and abuse in the program.

cc: Gene Sperling
Martha Foley

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cc to
Erskine



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 12, 1995

MEMORANDUM FOR ERSKINE BOWLES

FROM: Sylvia Mathews *SM*

SUBJECT: EITC

The following is a summary of Treasury initiatives to promote the EITC. I have also attached some background memos on our efforts to highlight one of the most successful components of the President's economic plan.

I. National Public Information Campaign

The IRS has been successful reaching employees to make them aware of the EITC. They have also developed a national public information campaign. Materials that have been developed as part of this campaign include: Public Service Announcements (released to about 9,800 radio and television stations); an EITC video in English and Spanish; brochures for employers; posters; camera-ready "drop-in" ads; stuffers for payroll grassroots organizations; buscards; and grocery bag art. The IRS's extensive network of local taxpayer assistance centers guarantees that these materials reach thousands of employers.

IRS Commissioner Richardson hosted an Advance EITC kick-off in January with 30 representatives of community and professional associations. The IRS has also included articles on EITC and Advance EITC in the most recent issues of the SSA/IRS Reporter.

II. Partnerships with National Associations

The IRS has developed partnerships with dozens of national associations such as the NAACP, YMCA and community action agencies to enlist their support in educating the public about the expanded credit and the Advance EITC. These efforts have included:

- The Center on Budget and Policy Priorities is conducting a major national campaign to over 15,000 associations and groups;
- The American Bar Association is sending letters to 500 national business associations soliciting support in promoting the credit and is setting up tax clinics for lower-income taxpayers around the country;
- The National Association of Neighborhoods has made contact with several high level state officials to enlist their support in conducting a state-wide publicity campaign;

- The Tax Executive Institute is providing information on the credit to tax officials of the top 3,000 companies in North America;
- The US Pan Asian Chamber of Commerce is helping promote the tax credit to their 2,000 members;
- The IRS is also working with a number of Hispanic organizations to produce publicity materials in Spanish.

III. Secretarial Involvement

In March, Secretary Rubin visited a Voluntary Tax Assistance Site (VITA) in Washington, DC. At VITA sites, IRS-trained volunteers provide free tax return assistance to those who need it most -- low-end and moderate income individuals, persons with disabilities, non-English speaking taxpayers and older citizens. Secretary Rubin met with EITC recipients who were obtaining assistance with their 1994 filings.

Secretary Rubin also highlighted the EITC program at three events with the business community in March: a speech to the Grocery Manufacturers of America, a breakfast with the Business-Government Relations Council, and a lunch with CEOs. At these events, he provided the participants with campaign kits and sought their commitment to encourage their eligible employees to sign up for the Advance EITC.

IV. Sub-Cabinet Involvement

As part of the amplification strategy for the Southern Economic Conference, Deputy Assistant Secretary for Economic Policy Glen Rosseli travelled to Shreveport, Louisiana. While there, he visited a VITA site to meet taxpayers taking advantage of the assistance provided at the site. The event received a great deal of local media coverage.

THE WHITE HOUSE
WASHINGTON

April 12, 1995

MEMORANDUM FOR EITC WORKING GROUP

FROM: Gene Sperling
SUBJECT: EITC Talking Points

Several people had asked to see talking points on the EITC. The current version from the Department of Treasury is attached. We will be meeting soon to discuss our overall political and communications strategy, as well as other materials that should be helpful. Thank you.

TALKING POINTS ON THE EITC

- The Administration is strongly committed to the goals of the EITC which are to make work pay and to lift workers out of poverty in the most efficient and administrable manner possible.
 - Last month, Secretary Rubin visited a VITA site here in the District of Columbia. At the site, he met Rhonda Clark, a mother from Maryland. Talking of her experiences with the EITC, Ms. Clark said, "I enjoy working and I want to continue. The EIC gives me some of the help I need -- to keep working, to stay independent, and to support my family. It's a help I can not do without." Ms. Clark's experience provide a vivid example of how the EITC makes a difference in people's lives by encouraging them to work and providing them with additional assistance.
- The design and administration of the EITC advance the four following goals:
 - (1) Make work pay for those who might otherwise choose to be on welfare.
 - (2) Ensure that an individual who works full time throughout the year will not live in poverty.
 - (3) Target benefits to those with the greatest needs. As wages have stagnated for many workers and declined markedly for low-wage workers, families with incomes slightly above the poverty level also require assistance.
 - (4) Make it easier for eligible individuals to claim the credit and for the IRS to verify their eligibility.
- The Administration's commitment to the EITC program for low-income working families has been demonstrated through over a dozen legislative and administrative actions since early 1993.
 - The Administration's proposal to significantly expand the EITC in order to improve its effectiveness both as a work incentive and an income support program was enacted as part of the Omnibus Budget Reconciliation Act of 1993.
 - As a result of the 1993 expansion, slightly more than 21 million low-income workers will receive benefits under this program in 1996.
 - The EITC was simplified by repealing the two supplemental credits for health insurance coverage and for taxpayers with children under 1 year of age.

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- Further steps to improve the administration and targeting of the EITC were included in the 1994 legislation implementing the Uruguay Round Agreements under the General Agreement on Tariffs and Trade. As a consequence of that legislation:
- The EITC is denied to nonresident aliens and prisoners;
 - Taxpayers are required to provide a taxpayer identification number for each EITC qualifying child, regardless of age; and
 - The Department of Defense is required to report to both the IRS and military personnel non-taxable earned income paid during the year that is included in computing the EITC.
- The Administration submitted additional proposals as part of the President's FY1996 budget which are still pending final legislative action.
 - The EITC would be denied to taxpayers with \$2,500 or more of interest and dividend income. (A variation of this proposal is included in the conference agreement on H.R. 831, a bill to extend and expand the 25 percent deduction for health insurance costs incurred by self-employed individuals.)
 - The EITC would be denied to undocumented workers.
 - The IRS would be authorized to use simpler and more efficient procedures when taxpayers fail to supply a valid social security number.
 - The Administration has also proposed State demonstration projects to provide alternative ways of delivering advanced payments of the EITC.
- We hope that Congress will act on these proposals.
- The Administration has taken other significant administrative actions to strengthen the integrity of the EITC program. Problems in the administration of the EITC have been identified and are being addressed. The actions that have been taken include:
 - The IRS and Treasury have conducted outreach programs to inform taxpayers of the availability of the advanced payment of the EITC.
 - The 1994 Schedule EIC was simplified to make it easier for low-income taxpayers to understand if they are eligible for the credit.
 - The IRS has mailed millions of notices to EITC claimants after the filing season, informing them about the advance payment option and supplying the Form W-5 that they submit to their employer to obtain advance payments.

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- The IRS is conducting studies of refund fraud and EITC compliance to better understand the magnitude and source of erroneous payments.
- Working with the Justice Department, the IRS is prosecuting preparers and electronic return originators (EROs) who take advantage of the EITC provisions to defraud the Federal government.
- The IRS is continuing a major overhaul of its information systems to help keep pace with the demands of a growing number of taxpayers.
- The IRS is delaying refunds on questionable returns with invalid or missing taxpayer identification numbers, allowing greater time to verify the validity of the refund being claimed.
- IRS field resources have been shifted to check compliance by EROs to ensure they are meeting requirements for participation in the program.
- The IRS is no longer providing direct deposit indicators (DDIs) to EROs to reduce refund anticipation loans relating to fraudulent claims.

The recent growth in the EITC program is a result of carefully considered legislative actions in 1990 and 1993 to expand the program over a number of years, ending in 1996. Thereafter, the growth in the program will be much more modest and depend on general conditions affecting the economy as a whole.

April 3, 1995

"In the mid-1980s, bighorn sheep in the park suffered from pinkeye, which killed off 50 percent of the herd," Fischer said. "If we had a wolf population back then, the first sheep to go would have been the sick ones, and the disease might not have spread to the entire herd."

Biologists also expect wolves to prey on the vast coyote population here, leaving more rabbits and other rodents for hawks, eagles and owls. Fewer coyotes also will mean more foxes, which adapt well in wolf-inhabited regions. But how will wolves and rival carnivores such as grizzly bears and mountain lions get along? Research at Montana's Glacier National Park, where all three species come face to face, may provide some answers.

"In Glacier, there is not enough competition to stress any predator population," said Chris Servheen, grizzly bear recovery coordinator for the U.S. Fish and Wildlife Service.

"In fact, a few years ago we had a big male adult grizzly that had great success following wolves and mountain lions around and stealing whatever they killed," he said. "That bear stayed fat and happy and never did have to hibernate."

In Yellowstone, experts predict that most wolves eventually will settle near their release sites in the north central portion of the park, because that is where most prey animals live. But only a successful restoration effort, coupled with the cooperation of neighboring state officials, will determine the wolves' ultimate range.

(Optional add end)

The goal is to create a breeding population of 100 wolves here and in Idaho within five years, and then remove wolves from the endangered species list.

A small number of the resilient, intelligent beasts are beginning to wander into the northern Rockies on their own, raising concerns among ranchers who regard them as marauding killing machines.

But without the historic wolf project, there were no guarantees that wolves would find their way here and establish breeding packs anytime soon.

Yet even some environmentalists complain about the costs and time spent on launching the restoration effort, which is siphoning off a great deal of federal resources. As a result, some say, other recovery efforts such as one to save North America's most endangered mammal, the black-footed ferret are begging for private donations.

"I don't think that the wolf restoration project is a particularly good example of how the recovery of endangered species should take place," Fischer said.

"It's taken too long, cost too much and has been far too divisive," he said. "We have hundreds of species on the federal endangered species list, and if they all take this long to restore, we will never succeed."

*MARTIN FOREY
WOULD THIS BE
AFFECTED BY*

FDA Recalls Blood Banks' Defective Computer Software By Josh Meyer= (c) 1995, Los Angeles Times=

Computer software used by more than 200 hospital blood banks nationwide has been quietly recalled after the U.S. Food & Drug Administration discovered programming defects that could have allowed the accidental release of contaminated blood.

FDA officials said the chance of the release of contaminated or untested blood through flaws in Western Star Inc.'s LifeLine blood bank management system is "remote."

Nevertheless, "We did look at it as something that is quite serious," said James A. Davis, the Seattle-based regional

director of the FDA's Investigations Branch, who wrote the Feb. 17 recall letter to Western Star.

Blood bank officials said the recall underscores the inherent dangers of relying on complicated automated technology for such sensitive tasks as tracking blood through donation, testing and transfusion.

"If your software is bad, you may not know that until another independent event points up that something is wrong, like when a patient turns up positive for a disease," said Jim MacPherson, executive director of the Council of Community Blood Centers in Washington, a trade association. MacPherson, like some other blood bank officials, had not been aware of the recall.

Western Star, based in Lake Oswego, Ore., has complied with the recall by notifying its customers and making sure the programming defects have been corrected, according to the FDA. The company complied voluntarily under threat of seizure of its products.

The rare action came three years after FDA officials first cited Western Star for problems with blood bank software. Over that period in a series of regulatory inquiries, the FDA has alleged that Western Star:

Failed to adequately test software before distribution to its 219 clients.

Failed to specify to its customers that problems with older versions of the software required that it be replaced with newer versions.

Shipped "corrected" software with uncorrected defects that had already been identified, or with new programming errors.

As long ago as 1992, when the earliest version of the recalled software was put on the market, the FDA warned Western Star that some defects were thought to be serious enough to allow the release of blood contaminated with the human immunodeficiency virus that causes AIDS or hepatitis, FDA documents indicate.

The recall applies to the four versions of the software released since 1992, including two that the FDA says also contain "programming errors (that) could result in the release of blood and blood products which were either untested, tested reactive or were collected from ineligible donors," the FDA stated in the recall letter.

FDA officials and Western Star executives stressed they are virtually certain no blood was improperly released. The FDA has received no reports of health problems.

(Optional add end)

Overlapping safeguards reduce the possibility that any software-related mistakes could result in release of contaminated blood, according to hospital laboratory managers and Western Star President John Tortorici.

Tortorici said his company was working closely with the FDA and had notified all of its clients, which include hospitals, blood banks and military installation medical centers around the United States, Canada and four other nations. He said corrective software were to be distributed as early as Monday.

Both the FDA and Western Star declined to disclose which hospitals use the recalled software.

Washington blood bank official MacPherson said the software investigation presented a frightening scenario: "You have trusted the software was doing what it was supposed to do ... If you find out it wasn't, what do you do? Do you notify all the patients? You need to determine the likelihood that something serious has happened. If their evaluation is that it potentially could happen, then it is quite possible it could already have happened and no one would have known it."

*House Rep. Robert
Will. Faleste*

Truth and Consequences

THE PRESIDENT HAS SEEN

4/18

Rep. Bob Torricelli Leaked the Goods on the CIA. Was It Loyalty or Betrayal?

By Kim Masters
Washington Post Staff Writer

Rep. Bob Torricelli brought Jennifer Harbury into his office around lunchtime on a March afternoon. He was going to give her some grim news, but at least it might stop her from starving herself to death.

She was a wisp of a woman with short sandy hair and a face overwhelmed by huge, reproachful eyes. By now, she was nearly two weeks into a hunger strike intended to force someone in the government to tell her what had happened to her husband, Efraim Bamaca Velasquez, a guerrilla fighter who had been captured by the Guatemalan military in 1992.

Harbury is the sort of inconvenient zealot who makes people in official Washington uncomfortable. This was her second hunger strike—the first had been in Guatemala last October—and though some Clinton administration officials thought she might be crazy, as she dropped 14 pounds in 12 days, her seriousness became apparent. The White House tried to get her to end her fast by offering an opinion that Bamaca was dead. But she knew someone who claimed to have seen him after he was supposed to have been killed—under torture but alive.

"What wife," she asked coolly, "is going to leave her husband strapped to a medical table, having his fingernails pulled out, because of an opinion?"

It's the kind of queasy question that Harbury fires in bursts at anyone who will listen. She speaks with fierceness and something like pride of the friends she has lost in the struggle, the visits to the morgue, the battered corpses.

Torricelli, too, makes people in Washington uneasy—though in his case it's ambition that causes the discomfort. A smooth-talking North Jersey Democrat with a glamorous girlfriend, he's taken maverick positions that alienated many of his colleagues but played well with the voters back home.

In particular, Torricelli, 43, has often veered to the right when it came to matters of foreign policy. He was an early and forceful advocate of the Persian Gulf War and has long antagonized the human-rights crowd—people like Jennifer Harbury—by providing succor to anti-Castro Cubans.

But now, Torricelli and Harbury had a common purpose. He had the information she sought. And so the relentless activist and the enterprising politician formed an unlikely alliance. For Harbury, it would end her hunger strike, if not her obsession. For Torricelli, it would bring a barrage of publicity. And it would make him the object of a Washington ritual that involves equal parts grudging admiration and outraged flaying.

"I have to tell you some unfortunate information," Torricelli told Harbury on March 22. "Some very honorable people of good conscience in the administration will not idly watch you suffer any longer. They want you to know the truth."

Her husband was dead. A Guatemalan officer who

See TORRICELLI, C4, C11, 1

TORRICELLI, From C1

had been on the Central Intelligence Agency payroll was linked to his killing, as well as that of another American, Michael DeVine. The CIA had known this for HOW LONG? and apparently had concealed this information from those at the highest levels of the administration. And that more recently, a lot of people in government knew as well, but weren't saying anything.

Harbury began to sob. She had been so unflinching that Torricelli and his aides were taken aback. But it was a momentary lapse. "She went through a transformation from despair to fighting anger," Torricelli remembers. "She

knew just what she was going to do, immediately. . . . She wanted to have a press conference."

Torricelli was ahead of her. He had already written a strongly worded letter to President Clinton about an "out of control" CIA. He faxed the letters to the White House and, before there was time for any response, he told the story to a newspaper read by many of his constituents: the New York Times.

He knew there would be an outcry—and there was. The first target was the CIA, but the messenger would not be spared. House Speaker Newt Gingrich (R-Ga.) called Torricelli's action "totally unacceptable" and threatened to throw him off the House intelligence committee for violating an oath to keep classified material confidential. Torricelli told Democratic colleagues that he might respond by resigning from Congress and seeking a special election so the voters could decide whether he deserved to be punished.

"I was not going to be sanctioned for revealing criminal activity," he says.

A compromise was reached when everyone agreed to let the House ethics committee weigh Torricelli's conduct. He says he has received support from both sides of the aisle. But he also has enemies all around. While fellow Democrats stood behind Torricelli, some complain privately that he sandbagged his colleagues and blindsided his president by dashing to the press before the White House could act.

One prominent Democrat, for example, says he would have consulted with members of the House intelligence committee and contacted Clinton before taking further action.

"I wouldn't have popped to the press," he says contemptuously.

'Bianca Knows a Great Deal'

Guatemala had not been a major preoccupation for Torricelli over the past few years.

When he was chairman of the Western Hemisphere subcommittee from 1991 until the Democrats lost control of the House, Guatemala was a little-noticed but festering sore.

Torricelli had visited Guatemala once after the DeVine killing, and he had heard about Harbury's search for Bamaca when "60 Minutes" ran a segment about her last November. In December, at the Summit of the Americas in Miami, he asked Guatemala's foreign minister about DeVine and Bamaca. He wouldn't have done even that, he acknowledges, if he had not been prompted by his lady friend—human rights activist Bianca Jagger.

Jagger, a Nicaraguan native, met Torricelli in 1993 and the two grew close during a difficult period a few months later, when he helped her get two critically ill children out of Bosnia. As they communicated by satellite hookup, romance began to bloom.

Since then, he says, she has occasionally given him a "nudge" on some issues.

"Bianca knows a great deal about Latin America, is intensely motivated by human rights issues, and is extremely bright and very dedicated on many of these issues," he says. "When I raised this at the Summit of the Americas, it was because Americas Watch and Amnesty International all went to Bianca. Frankly, she asked me to raise it."

Torricelli concedes that human rights groups haven't been fond of him since he devoted so much energy to backing the Persian Gulf War in 1991. At the time, even Jagger viewed him with an unfriendly eye. "She's told me we only could have known each other after," he says. "Because if we had known each other during it, things would be—difficult."

Over lunch in the House members' dining room, Torricelli is a bit sheepish as he acknowledges Jagger's role. Asked how she feels about his decision to go public with the Guatemala story, Torricelli first ignores the question. Then, staring at his knife as he spins it in circles on the table, he simply says, "She's certainly pleased."

Reached by phone, Jagger also is reticent. "It is all his," she says. "The credit of having found out what the CIA had done and having the courage to make it public. It's really entirely Bob's decision. It was his conviction and his courage."

Secrets

Of all the Third World countries where the United States must try to conjure a national interest to excuse its support of a brutal regime, Guatemala is among the most awkward. In 1954, the CIA led a coup there largely in the interest of the United Fruit Co., which was worried that the government there might take away some of its land.

Over the years, fear of communism was cited as a major justification for continued U.S. aid to Guatemala's junta as tens of thousands of Guatemalans were murdered. But by the time DeVine was killed in 1990, the Berlin Wall was rubble. The 49-year-old innkeeper had been interrogated and then nearly decapitated by Guatemalan soldiers for reasons that are still unknown. The United States protested the murder by cutting off military aid to the country.

Secretly, however, other funds were being channeled to the Guatemalan military. Only this month, when he learned the money was still flowing, did Clinton shut off the spigot.

None of this would be known to the public if Jennifer Harbury hadn't decided to starve herself.

She began last October, sleeping on wooden crates in Central Plaza outside the presidential palace in Guatemala City. She stopped 30 days into the strike, after Clinton administration officials agreed to meet with her. But in March, when she hadn't gotten any answers, she resumed her fast.

As Harbury's weight began to dwindle, Torricelli says he heard from "several" people in the administration who told him nearly identical stories about Guatemala and the CIA. He doesn't explain why they came to him—after all, despite Jagger's involvement, he had little profile on this issue. But he says his sources had some concerns in common—including Harbury's well-being.

"They thought it was unconscionable that she would be allowed to damage her health," he says. "They were convinced that President Clinton did not know and they wanted to use me to make sure the president was informed that he wasn't being told the truth."

As a member of the intelligence committee, Torricelli was under oath

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to maintain the secrecy of material that he learned in secret briefings. But he says that the information came to him from outside sources.

Even so, he had taken another oath. All members of Congress must pledge not to disclose classified information. But he didn't feel bound by the latter promise.

"No oath imposed by the leadership can ask a member of Congress to conceal criminal activity," he says. "An American citizen was killed. There was only one ethical response. The president of the United States should be informed, and the people of the United States should know the truth."

In fact, Torricelli adds, he never hesitated. "I don't think it was a close call," he says. "This claim of confidentiality—it's what Nixon used for the crimes of Watergate. And Reagan attempted it with Iran-contra. There's no obligation to hide the crimes of the government against its own people."

Acting in Haste

Torricelli took very few steps before putting his story on the front page. He contacted House Minority Leader Richard Gephardt (D-Mo.) and Rep. Lee Hamilton (D-Ind.), ranking minority member on the International Relations Committee. What transpired in these conversations is a matter of some dispute.

Everyone agrees that Torricelli approached Gephardt on the House floor and told him what he planned to do. Gephardt cautioned Torricelli not to reveal information that he had learned as a member of the House intelligence committee.

Torricelli maintains that he asked Gephardt and Hamilton for "advice." But Gephardt spokeswoman Laura Nichols disputes that point. "This was really being presented as 'I want you to know what I'm doing,'" she says. And a Hamilton spokesman says the congressman thought his discussion with Torricelli was "inconclusive" and expected to talk further with him before Torricelli acted.

Torricelli says he did only one thing more before disclosing what he knew. He summoned Michael Sheehy, the top Democratic intelligence committee staffer, to his office. "I said, 'I want you to verify that I have never been briefed on Guatemala, have no classified information on Guatemala, and engaged in no committee activities on Guatemala.'" Torricelli says Sheehy confirmed that. Sheehy was traveling and could not be reached for comment.

It was just those committee obligations, Torricelli says, that forced him to go public with his story. He wanted further confirmation, he says, but felt that he could not approach anyone in the intelligence community without being forced to maintain the secrecy of what he had learned.

"I gave the story to the New York Times and said, 'See if you can verify it,'" he says. "They did." He also felt an urgent need to convey the news to Harbury. She, of course, would not keep it confidential.

The day after Torricelli met with Harbury, the story about the CIA link to the deaths of DeVine and Bamaca appeared. Torricelli went to the White House to meet with Chief of Staff Leon Panetta, adviser George Stephanopoulos and national security adviser Anthony Lake. He brought along something new: an anonymous fax from the National Security Agency. It alleged that documents pertinent to the Bamaca and DeVine cases were being shredded.

The administration ordered a government-wide investigation that also will cover the 1989 abduction and torture of Sister Diana Ortiz, a U.S. social worker, and the deaths in 1985 of U.S. journalists Nicholas Blake and Griffith

Davis. Torricelli says the meeting was straightforward and cordial, though an administration official concedes that the congressman caught the White House by surprise.

"A little heads-up would have been helpful," he says with clenched-jaw restraint.

A Showdown

The atmosphere was less pleasant when Torricelli was confronted by fellow Democrats in the House. The focus wasn't on the revelation but the punishment that should be administered.

"Torricelli has always been a maverick and has always done stuff that makes people mad," says a Democratic congressional staffer. "He brings baggage to every issue he deals with."

One example that may not have faded from Gephardt's mind was his breaking ranks to support the Gulf War.

Torricelli—like a kid who doesn't get along with his classmates but still wants to run for student council president—has been passed over for Democratic Congressional Campaign Committee chairman and, more recently, for chairman of the Democratic National Committee. In the corridors of Congress, he's referred to as "the Torch."

So when Democrats met in Gephardt's office on April 4, some of them were annoyed at having to rally behind Torricelli. Some gave him credit for sincerity but still felt he had mishandled the situation. "He has these messianic complexes," one Democrat complains.

But if they disliked Torricelli, clearly Gingrich was their greater enemy. When Torricelli raised the idea that he would resign from Congress if sanctioned, his colleagues told him that wouldn't be necessary. The Democrats decided to stand by their man and fight Gingrich's threat to remove him from the intelligence committee.

Rep. Norm Dicks (Wash.)—the senior Democrat on the intelligence committee—was particularly irked that Torricelli had not come to him first. But after reproaching Torricelli, he suggested a way to avoid the pending confrontation with Gingrich: Let the ethics committee decide whether Torricelli's duty to uphold the Constitution superseded his oath of secrecy.

Torricelli initially bristled. He pointed out that Dicks had learned the truth in a February intelligence committee briefing—and had done nothing to reveal it. According to two members, Dicks said he had been working on a letter demanding further explanation of what had occurred.

"I'll go to the ethics committee," Torricelli said according to a member who was present. "I'm prepared to defend the truth if you can defend a lie. I'll defend exposing criminal activity if you can defend maintaining a conspiracy."

Torricelli then demanded to know if Dicks was a lawyer—he is—and whether he was aware of his obligation to disclose criminal activity.

But Torricelli agreed to Dicks's proposal. By now the Republicans were losing their appetite for quick retribution. "If they threw Torricelli off, they'd make him a martyr," says one Democratic member. "Everyone was looking for an out."

The Chairman's Reaction

Rep. Larry Combest (R-Tex.), the intelligence committee chairman, denies that the Republicans were running scared.

"It has nothing to do with making a martyr of Congressman Torricelli," he says. "It was an opportunity to work in bipartisan manner."

While the two sides have agreed to

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let the ethics committee do its work, they already seem to differ on the question under consideration. Torricelli thinks the committee will decide if he acted properly. But a Republican staffer says the committee will simply weigh whether he violated Congress's oath of secrecy—as he admits he did—and then mete out appropriate punishment. Combest acknowledges that he doesn't want Torricelli to remain on the intelligence committee.

Speaking more bluntly, a GOP staffer offers the view that the Democrats have been lax. "If it had been a Republican member," he declares, "the speaker would have bounced his ass so fast that it would have broken speed records."

Combest questions Torricelli's judgment. "A member of Congress cannot simply decide to make it public," he says. "There are other avenues he could have taken... It was somewhat embarrassing to the administration. That was a member of their own party, so I won't claim any credit for it. It's a matter of common courtesy that you give the administration the opportunity to respond."

Combest discounts Torricelli's explanation that he went to the news media to get further confirmation of the story. "I would certainly hope the administration's sources would be better than the New York Times's," he says dismissively.

Keeping the matter under wraps wouldn't have served Torricelli's real purposes, Combest suggests. "It seems to me that the interest was to get it into the newspaper, because there's nothing that has happened that would not have happened anyway," he says.

Torricelli counters that nothing had happened since Combest and Dicks were briefed in February. Meanwhile, he points out, Harbury was wasting away.

Combest acknowledges that he was aware of Harbury's fast but says he was working to uncover the truth on a schedule that was "independent of that."

The Real Point

With Congress out of session, Torricelli, newly anointed human rights crusader, is enjoying unsolicited calls of support from strangers—like Daniel Ellsberg, leaker of the Pentagon Papers, and Sister Ortiz, victim of rape and torture at the hands of Guatemala's military. But in the flap surrounding his decision to speak, Torricelli fears that the point is getting lost.

"The central question hasn't been asked," he says. "What is the United States doing spending our national honor and millions of dollars in Guatemala?"

... The issue is that at least one American is dead, there was a conspiracy to hide the truth from the president of the United States and the citizens of the United States, and the CIA has been caught once again operating outside of the law."

Combest says he'll get to those questions, but answering them doesn't justify compromising secrecy. It's one of the oldest arguments in the intelligence business. Indeed, American interests already have been compromised because of Torricelli's indiscretions, Combest says. But the specifics, naturally, must remain secret.

"There is damage that has been done," Combest says. "Beyond that, I can't say anything."

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Los Angeles Times first-edition Page 1 for Monday, April 17:

Top of page:

Col 1: After years of discretion, presidential candidates and other public figures are revealing details of their private lives; they discuss love, money and family secrets in campaigns based on image, not issues. (FRANCE-CANDIDATES, will move Monday.)

Cols 2-4: Color photo accompanying POPE.

Cols 5-6: Israeli security forces ambush and shoot dead three Palestinians, one of whom the army called a key gunman for the militant group Hamas. (MIDEAST-TIMES, moved.)

Above fold:

Cols 2-3: On the eve of a 75th birthday, Pope John Paul II gives his 17th Easter blessing as leader of 950 million Catholics, wishing the world Happy Easter in 57 languages. (POPE, moved.)

Col 4: In a movement mirroring efforts under way in Congress, many of California's Republican lawmakers are pushing a raft of legislation to bring what they call "common sense" to the state's approach to environmental protection; they are attacking laws governing everything from recycling to forest preservation, air quality and parks. (ENVIRO, not moving.)

Col 6: In the highest-level meeting of U.S. and Japanese officials since the dollar turned cool, Treasury Secretary Robert E. Rubin and his Japanese counterpart agree that it is time to find a way to stop the dollar's decline; but, offering a vivid demonstration of the wide gap between the two gorillas of trade and finance, they agreed on little else. (JAPAN-RUBIN, moved.)

Below fold:

Col 3: Easter dawned looking more like Christmas in parts of Southern California on Sunday as snowfall from an unusual spring storm closed the Antelope Valley Freeway and rain chased traditional sunrise services, egg hunts and picnics indoors. (WEATHER, not moving.)

Cols 5-6: In the latter half of the 1800s, thousands of Americans from all over the South left their homes in search of new lives in Mexico, Cuba and Brazil; this month, a handful of their descendants will gather at a special memorial ground to pay homage to the men and women who came here as pioneers. (BRAZIL-AMERICANA, will move Monday.)

Bottom of page:

Cols 1-2: Second article in a four-part series examining media coverage of the pope. (The series will move later in the week to LAT-WP clients who request it.)

Cols 5-6: While many provisions of the GOP proposal for overhauling the welfare system have been hotly debated, the elimination of SSI checks to people disabled by long-term drug dependence the so-called "drunk checks" has raised hardly a murmur, but there is serious question whether the cutoff would be counterproductive. (WELFARE-ADDICTS, will move Monday.)

Medicaid: Provider of Last Resort for Many in Middle Class By Jonathan Peterson= (c) 1995, Los Angeles Times=

WASHINGTON It has helped expand the federal budget deficit, threatened to topple state budgets and earned the dubious distinction of being one of the nation's fastest-growing entitlement programs, with an annual price tag exceeding \$150 billion.

Under the circumstances, it is hardly surprising that Medicaid is on the congressional cutting board, with some budget hawks going so far as to suggest dicing it up into 50 separate state programs and ending its status as an "entitlement."

Yet even as they seek to curtail its growth, members of Congress are coming face to face with a little-known but politically explosive reality: Most people, including members of Congress, think of Medicaid as part of the welfare system, the part that finances health care for the poor. But that popular impression is only partly true.

Increasingly, Medicaid is the provider of last resort for elderly members of the middle class and for their adult children, who make up a potentially enormous voting bloc. And squeezing benefits for the poor may be politically popular, but it is another matter to cut back care for older Americans who have worked hard and paid taxes most of their lives.

Medicaid is the only government program that underwrites long-term care for the public. As the nation's population has aged, more and more Americans end up needing long-term care. And such care is so expensive that all but the rich soon run out of money and turn to Medicaid.

This year, 60 percent of Medicaid's \$157-billion federal-state budget will be spent on the frail elderly or disabled, who count on the program to cover hospitals, doctors, nursing homes and other costs.

Many Medicaid recipients have been in poverty most of their lives and have relied on other welfare programs. A significant number, however, are strangers to welfare. They have exhausted their savings and other financial assets but they are in every other way members of the middle class. So are their children, who could themselves face enormous and unexpected financial burdens if the federal government pulls back.

"These are not stereotypical recipients of welfare," said Stephen McConnell, senior vice president of the Alzheimer's Association, part of a coalition of groups that launched an all-out defense of the program last week. "They are middle-class working families who have spent all their money (on care) and now turn to Medicaid."

To be sure, the emerging battle over Medicaid is deeply intertwined with welfare. Children from low-income families more than 16 million of them are the largest single group of beneficiaries, according to the Kaiser Commission on the Future of Medicaid. Adults who receive welfare and low-income pregnant women make up another large group of more than 7 million recipients.

Yet when it comes to costs, underprivileged children and their parents are just a fragment of the Medicaid story. Overall, 10.3 million elderly, blind or disabled recipients account for 60 percent of the program's bills, reflecting the crushing expense of long-term care and other medical needs of those who cannot live independently.

Nursing homes, for example, may cost \$35,000 to \$40,000 a year or more, a tab that is beyond the reach of most ordinary households.

Somewhere between 10 percent and 30 percent of people who enter nursing homes pay their own bills at first but eventually run out of money and turn to Medicaid, estimates Joshua M. Wiener, a health care expert at the Brookings Institution, a Washington public-policy research organization.

Some manage to qualify for federal assistance while concealing assets or transferring them to family members

through legal trusts and other techniques.

"People understand that everyone benefits from Medicare, while they wrongly think that Medicaid goes to these 'undeserving' welfare people," Wiener said.

Such perceptions hover over the budget debate at the outset. As Congress attempts the feat of cutting the budget deficit and cutting taxes at the same time, Medicaid stands out as an obvious target. Indeed, it has grown astronomically in excess of 20 percent during the early 1990s and at an annual average of 16 percent between 1988 and 1993. That's faster than the pace of health care inflation or of Medicare.

Yet Medicaid's relentless growth is not just another tale of spiraling health care prices.

All states provide a basic set of services to qualified beneficiaries, including hospital stays, doctor visits and nursing home costs. Other services, such as prescription drugs and hearing aids, may be offered.

In the last several years, however, eligibility has widened dramatically. Court decisions broadened coverage for the disabled and other groups. In addition, state officials became increasingly adept at exploiting complex funding formulas to draw in ever-rising amounts of federal dollars.

The federal government, meanwhile, mandated broader coverage for pregnant women whose income is above the poverty level, moving the program further beyond a stereotypical poverty clientele.

Propelled by such expansions, Medicaid now covers close to 37 million Americans. The federal share will hit \$89 billion this year, with the states kicking in another \$68 billion.

That, of course, is real money by any standard: The \$157-billion price tag now represents more than 1 percent of the nation's gross domestic product, making Medicaid an economic phenomenon in itself and putting it in a league with the even more colossal federal programs of Medicare and Social Security.

(Optional add end)

Lawmakers are considering restricting Medicaid's annual growth to 5 percent and turning it into a block grant program, in which the 50 states would be given extremely wide latitude to run their own programs.

By some estimates, a 5 percent cap would mean that Medicaid would get \$85 billion less from the federal government over the next several years than it would under current law. The dollar savings, when compared with current trends, would broaden even more dramatically in the future because the caps have a compounding effect.

Some budget-cutters say that there is ample room for savings without sacrificing quality.

A greater reliance on managed care, in which health care providers receive a single payment per patient, rather than separate payments each time a service is performed, is one step that proponents say would yield substantial savings.

Similarly, the case for home-based care as a cost-effective alternative to costly institutions is still being argued.

Then too, the idea of prodding people into managed-care programs, a pillar of President Clinton's ideas for health care reform, collides with the cherished ideal of freedom of choice.

And the notion of fostering self-sufficiency, which has become so central to welfare reform, has little meaning for many elderly and disabled recipients of Medicaid.

On Thursday, a coalition representing 141 groups, including the Alzheimer's Association, the American Association of Retired Persons and the American Federation of State, County and Municipal Employees, lashed out at the proposed changes, warning that they would have dire consequences for long-term care and families of various income levels.

"When Mom gets hit by Alzheimer's or has a stroke and needs round-the-clock care and when her life savings are all gone, it's the only place families can turn for help," John Rother, legislative director of the AARP, said in a statement

defending Medicaid.

"There's absolutely a need to deal with these rising costs," McConnell of the Alzheimer's Association said at one point, but he added, "the last way to do it is to clamp down on the most vulnerable."

Dole, Gramm Square Off TV Over GOP Agenda **By Marlene Cimon= (c) 1995, Los Angeles** **Times=**

WASHINGTON Republican presidential hopefuls Bob Dole and Phil Gramm on Sunday clashed over one of the chief issues on the GOP agenda—a balanced federal budget—with Dole saying his opponent's promise to balance the budget by the year 2000 was impossible, and made only to "attract a few votes."

The issue of a balanced budget is likely to become one of several major focal points for GOP contenders in the coming months as they begin positioning for the campaign ahead, trying to distinguish themselves from one another. Dole, R-Kan., the Senate majority leader and currently regarded as the front-runner in the growing list of GOP presidential candidates, has pledged a balanced budget by 2002.

"We have to be realistic," said Dole, speaking on NBC-TV's "Meet the Press." "We can't go out and make statements that may attract a few votes. You've got to tell the people the truth. It's going to be tough enough to do it in seven years."

But Gramm, appearing separately on CBS-TV's "Face the Nation," said balancing the budget by the year 2000 was impossible only for Dole, and reiterated his pledge that he would not seek re-election if he fails to accomplish this goal.

The Texas senator insisted he would achieve a balanced budget within his first presidential term, and would do it through strict spending cuts. He refused to rule out reductions in Medicare benefits and other programs.

(Begin optional trim)

Asked specifically about the federal health program for the elderly, Gramm refused to be specific but said some kind of action was needed to control the program's spiraling costs.

Dole acknowledged that "we're going to make tough, tough cuts," but appeared to take a softer stance than his GOP rival, noting that resistance exists against cutting many popular domestic social problems.

"You see what's happened on the House side when you get into food stamps and nutrition programs and Medicaid," Dole said. "You've got to be very careful, because the American people want to get things done, but we're still a sensitive, caring nation and a sensitive, caring party, and there are some obligations the government has to people who can't help themselves."

(End optional trim)

Both GOP candidates promised that Americans' tax burdens would be lower.

Both candidates said it was unlikely either would push for a constitutional amendment to ban abortions, although both described themselves as staunchly anti-abortion.

(Optional add end)

In other remarks, Dole indicated he would not seek the repeal of the Brady bill—the law that requires a waiting period before purchasing a handgun—although he supported legislation that would repeal the ban on semiautomatic assault weapons.

President Clinton has vowed to veto any attempts to weaken the crime bill Congress approved last year.

Dole again called on the public to "shame" Hollywood into

Bryl (Sawley) UP - worth, rising

World Perspective

JIM MANN/INTERNATIONAL OUTLOOK

Taiwanese Opposition's Independence Drive Shows Need for New U.S. Policy

Parris Chang flew from Taiwan two weeks ago to open a Washington office, one he hopes he won't have to keep for too long. His new office illustrates how the Clinton Administration's status quo policies are failing to keep up with fast-moving events in Asia.

Chang represents Taiwan's political opposition, the Democratic Progressive Party, which argues that Taiwan should be considered an independent nation, separate from China, with its own diplomatic relations with the United States.

In recent elections, the DPP has been gaining on the Kuomintang, or Nationalist Party. The Kuomintang (which has ruled Taiwan for nearly half a century, ever since Generalissimo Chiang Kai-shek dispatched his troops to the island as he was losing China's civil war) opposes independence and favors eventual reunification with China. Last year the DPP garnered about 40% of the vote and won the election for mayor of Taipei; over the next year, it could well force the KMT to share power in a coalition government.

Chang says the DPP's Washington office will be used "to tell the American people that Taiwan is not a province of China." In fact, he says, "Taiwan is already an independent state."

Those views, by a political party with considerable support in Taiwan, demonstrate why Taiwan is now a ticking time bomb for American policy. China has often threatened to invade Taiwan if it declares its independence. For decades, that seemed like a remote possibility, because the KMT ruled Taiwan as a one-party, authoritarian state. But the independence scenario is no longer so implausible. Taiwan is now a democracy, and its 21 million people aren't exactly thirsting for reunification with China.

Winston Lord did not attend Parris Chang's party for the opening of the DPP office. Lord, the Clinton Administration's assistant secretary of state for East Asia, serves as the keeper of the flame for the decades-old American policy toward Taiwan. That policy is to go along with the idea that Taiwan is part of China.

The U.S. policy was fixed in the earliest moments of Henry A. Kissinger's now-famous secret trip to Beijing in 1971. In a book published last year, one of Kissinger's top aides on that trip, John Hold-

ridge, reveals what Kissinger left out of his own memoirs: that relinquishing the idea of an independent Taiwan was, essentially, the price of admission for the Richard Nixon Administration to begin to talk with China. Holdridge reports that at the outset of the first day's meeting in Beijing, Kissinger "said what I had written for him: no two Chinas; no one China, one Taiwan; no independent Taiwan."

Holdridge recounts Chinese Premier Chou En-lai's reaction: "Good. These talks may now proceed."

Lord, who was one of the few other Kissinger aides on that 1971 trip, is spearheading the Clinton Administration's efforts to hold the line on Taiwan

which has been trying to compete with the DPP by pushing for upgrades in American policy toward Taiwan. The Kuomintang is one of the world's richest parties, and it is throwing lots of money into the cause. Last year, a Taiwanese research group associated with the ruling party hired a Washington lobbying firm, Cassidy & Associates, for a three-year contract at a cool \$1.5 million a year to lobby for Taiwan in Washington.

Money never hurts in Washington, and Taiwan's lobbying firm is all over town. Suddenly, members of Congress who probably don't even attend their own college reunions are becoming extremely fervent about making sure the president of Taiwan can have a drink with his Cornell classmates this June.

The Clinton Administration is quietly opposing the idea of letting the Taiwanese president visit Cornell. And on this particular issue, the Administration has a point. Congress shouldn't be a blunderbuss on a serious foreign policy issue. Taiwan or its lobbyists can disguise this as a college reunion, honorary degree or "private trip" all they want, but the reality is that it would be the first visit to the United States by the president of Taiwan since the United States recognized the People's Republic of China in 1979. If Lee was to visit, he wouldn't come incognito. Taiwan and its lobbyists would treat him with the respect he deserves as president, and would no doubt expect Americans to do likewise.

Still, concedes one senior Clinton Administration official, "I don't think they [Taiwan's lobbyists] would be making a dent if Taiwan were not such a success story." The fact is that over the past eight years, Taiwan has become a working democracy and a rich country, with \$95 billion in foreign-exchange reserves, second in the world behind Japan, and enough wealth to become America's seventh-leading trade partner. It buys almost twice as many goods from the United States as does China.

These changes, and Taiwan's flirtation with independence, would seem to call for fresh American thinking. Yet we don't seem to be getting it. To those who question the longstanding U.S. policy, Lord tirelessly offers the same old an-



DOUG PENSINGER / For The Times

Parris Chang, who represents Taiwan's opposition party in U.S., addresses National Press Club. Party asserts that Taiwan should be considered independent.

swers, in which he deeply believes: The policy has worked for more than two decades, and Taiwan is thriving. But you can argue that Taiwan is thriving in spite of, rather than because of, U.S. policy. And it is a big mistake to assume something will work in the future merely because it did in the past.

Lord also regularly tells Congress that the Clinton Administration conducted a comprehensive review of Taiwan policy after taking office. In reality, however, it was largely a phony review, designed both to relieve the pressures for change from outside the Administration and, say Administration officials, to answer some questions from an incoming President who, as governor of Arkansas, had visited Taiwan five times. After more than a year of delays, American policy was left mostly unchanged.

It's time for some creative new approaches. Even China and Taiwan themselves are becoming more flexible; there may even be a summit meeting between the two governments within a year or two. America's policy toward Taiwan shouldn't be altered by congressional

lobbyists or Cornell reunions. It's too serious for that. But the United States can't hang on forever to the old policy, which is explicitly based on the increasingly questionable assumption that Taiwan considers itself part of China.

At the ceremonies opening the DPP's new Washington office, a Taiwanese reporter asked Parris Chang what would happen if his independence-minded party won elections on the island next year.

"Maybe we will rent this office to the Kuomintang," he said, giggling at the notion that Chiang Kai-shek's heirs might be relegated to a small room in the National Press Building.

The DPP's new office is a symbol of change. Taiwan's unsettled future is fast blowing up into the sort of problem that could jeopardize all of American policy toward Asia. Right now, the Clinton Administration is offering little but the fast-fading hope that the formulas of the early 1970s will still work.

The International Outlook column appears here every other Monday.

G.S. (assume you've read this)
NATIONAL AFFAIRS

has room interesting for article
Affirmative Action:
for W. Wilson
Republicans hope it will
Be
drive a wedge between liberal
Democrats and white
swing voters

THE PRESIDENT HAS SEEN *4/18*

Race and Rage

BY HOWARD FINEMAN

ALL JANICE CAMARENA WANTED, SHE SAYS, WAS to attend English 101 at a convenient hour. For the commuting student at San Bernardino Valley College—a 25-year-old widow with three young kids—the only convenient hour was 11 a.m. But there was a problem. She was white—and the section was reserved for African-Americans. Bearing a neutral label, the class was actually part of a “Black Bridge” remedial program of writing instruction, career counseling

PAUL MORSE—L.A. TIMES

APRIL 3, 1995 NEWSWEEK 23

**BUCHANAN
IS A
RACIST!**

MARCIA CURTIS—AP

Maybe so, but Wilson's smooth conversion—and decision to move toward a formal presidential candidacy—underscores affirmative action's appeal to GOP politicians. They see it as a way to prove their conservative bona fides to the rank and file. They also see it as a classically divisive "wedge issue," the kind that forces your foe to choose which constituency he wants to offend—in this case, either suburban white swing voters or traditional liberals. "It's a winner for us any way you look at it," says Republican strategist Bill Kristol.

The NEWSWEEK Poll shows why. The chasm between blacks and whites is deep, though minorities are more dubious of preferences than the rhetoric of their most vocal leaders suggests. By a 79-14 margin, whites oppose racial preferences in employment or college admissions; minorities support them by a 50-46 margin.

Political bleeding: The affirmative-action issue is tearing at the Democratic Party, which lost the white male vote by a breathtaking 62-36 margin in the 1994 elections. The party's right wing is in open revolt. The Democratic Leadership Council, a group of self-described moderates, has become an anti-affirmative-action cell. When he assumed chairmanship of the DLC earlier this month, Sen. Joseph Lieberman of Connecticut declared that race and gender preferences were "patently unfair."



STEVE STARR—SABA

Surfing political waves: Buchanan and Wilson moved into the GOP presidential fray last week, both making the case against affirmative action

The Democratic left is answering back. Jesse Jackson led a rally in New Haven last week to protest Lieberman's remarks. "We submit to the senator of this state," Jackson said, "that we have marched too long, died too young, bled too profusely, been to too many funerals of young mothers, to go back now." The state's other senator, Democratic National Committee Chairman Christopher Dodd, backed Jackson's view.

Caught in the middle, the Clinton administration is doing the usual: emitting a cacophony of mixed signals.

Some White House officials privately complain that GOP candidates are exploiting race. Elsewhere the administration is reviewing affirmative-action programs—and has already turned down at least one, for student interns at the Commerce Department. A major speech on the issue by President Clinton has been put off until next month. So last week the administration sent forth its leading civil-rights attorney to defend affirmative action—but only speaking for himself. Clinton, talking earnestly to college students, yearned out loud for a way to avoid divisiveness.

Meanwhile, the Republicans are driving their "wedge." Charlie Black, top adviser to GOP contender Phil Gramm, linked the president to another California politician, the abrasively liberal Maxine Waters of Los Angeles. "In the end, Clinton will do whatever she tells him to do," Black said tartly. Jackson attacked from the other side, issuing a warning to the White House in a NEWSWEEK interview. "If they sacrifice

justice on the altar of expediency, we will fight back," he said. "We will not stand idly by."

Among Republicans, there's no philosophical disagreement over affirmative action. But the GOP debate could get nasty just the same, if only over the question of who says "no" with the most conviction.

Claim to purity: Republicans are scrambling to up the ante. A promise to abolish affirmative action was a centerpiece of Phil Gramm's announcement pageant last month. A day later—and the day before Gramm arrived in California for a state GOP convention—Wilson announced his support for the ballot initiative. Then, last week, columnist Pat Buchanan declared his presidential candidacy in New Hampshire and staked a justifiable claim to purity. He labeled his opponents "leap-year conservatives."

The Republicans have their own man in the middle, front runner Bob Dole. The majority leader has promised to introduce legislation banning racial and gender preferences in government programs. But Dole had long supported minority set-asides, and prides himself on his civil-rights record. This week he will host a three-hour meeting in his office to discuss a legislative course and try to do what he does best—broker a deal. Among those expected to attend: Democratic D.C. Delegate Eleanor Holmes Norton, former Bush White House counsel Boyden Gray and conservative black columnist Armstrong Williams.

That leaves Wilson, who seemed to be basking in the glow of his own possibilities. Though he hasn't yet officially announced, White House insiders consider him the greatest threat to Clinton's re-election. Jackson has a harsher view. "He's nothing more than a sophisticated George Wallace," he told NEWSWEEK. Hardly. Wilson is a social liberal in some respects, with a strong

record of supporting abortion rights, gay rights and gun control. Lean and placid, carefully turned out last Saturday in a gray suit, the Yale-educated Wilson has always been adept at putting a bland face on middle-class anger. Voters seem to like the calm reflection of themselves he offers. It is a formula that Wilson has used to win in the past, and that he hopes to use in the affirmative-action wars ahead.

With ANDREW MURR in Los Angeles

NEWSWEEK POLL

75% think that qualified blacks should not receive preference over equally qualified whites in getting into college or getting jobs

FOR THIS NEWSWEEK POLL, PRINCETON SURVEY RESEARCH ASSOCIATES TELEPHONED 752 ADULTS, MARCH 23-24. THE MARGIN OF ERROR IS +/- 4 PERCENTAGE POINTS. THE NEWSWEEK POLL © 1995 BY NEWSWEEK, INC.



LARRY DOWNING-NEWSWEEK

Another Clinton conundrum: The president ponders his options

and mentoring. She couldn't sign up.

So the other week Janice Camarena did what any red-blooded Californian would do. She sued. Now she's a test case for those who want to remove any trace of racial preference in the state's vast community-college system. The Black Bridge doesn't seem to be an egregious piece of race-based social engineering. Few would begrudge minority students special help early in college, and there were other sections of English 101. Yet Camarena's case briefly broke through the O.J. chatter on Los Angeles talk radio. "Everybody should have an equal chance," she says, "regardless of the color of their skin."

Surf's up: The color of their skin. Never far from the surface of politics, race is rising with raging force in the presidential campaign now beginning. A quarter century ago the issue was busing. In 1988 it was crime. Last week the floor of the House was the scene of vicious debate over welfare reform. Black Democrats hurled accusations of racism and Nazism, while victorious Republicans (the measure prevailed, 234-199) compared aid recipients to alligators and wolves.

But the most profound fight—the one tapping deepest into the emotions of everyday American life—is over affirmative action. It's setting the lights blinking on studio consoles, igniting angry rhetoric in state legislatures and focusing new attention on the word "fairness." When does fairness become "reverse discrimination"? When is it fair to discriminate on the basis of race or gender? Louder than before, Americans seem to be saying, "Never."

The issue is getting the most attention, naturally enough, in California. Colossal, diverse, the Golden State is where national trends are launched. The newest is a closely



A Buzzword Defined

"Affirmative action" began when the Kennedy administration ordered companies doing business with the government to root out discrimination in their ranks. Now the phrase refers to a wide range of steps taken by colleges, corporations and government agencies to help minorities and women.

Recruiting: Aggressive outreach is the most controversial form of affirmative action. Many employers advertise job openings in African American newspapers and interview at women's colleges.

Goals and Timetables: The Labor Department requires firms receiving federal contracts to establish hiring goals for women and minorities—and deadlines for getting there. Many universities set up similar targets for admissions and faculty hires.

Quotas: Goals sometimes lapse into rigid quotas, in which employers or admissions directors must hit a specific number of minority hires or students.

watched initiative with a PC-sounding name, the California Civil Rights Initiative. Likely to be on the state ballot next year, it would bar any form of affirmative-action preference—race, gender, ethnicity, national origin—in state hiring, contracting or education.

California Republicans have a knack for recognizing—and methodically speaking to—the resentments of white suburbanites.

Richard Nixon summarized their angst in his 1968 campaign for "law and order." In 1980, Ronald Reagan won on the strength of antitax fervor created by California's Proposition 13 tax revolt.

Now Pete Wilson, a 61-year-old epitome of suburban solidity, thinks it's his turn. Last year the California governor capitalized on anti-immigration sentiment in his drive for re-election. Last month he announced that he would support the anti-affirmative-action initiative. Then last week he declared he had a "duty" to seek the White House in the name of "fairness" for people who "work hard, pay their taxes and obey the law." A key to Wilsonian "fairness": abolishing racial and gender preferences.

A master surfer of political waves, Wilson landed in Washington late last week for a round of political chores. In his first interview in the capital, he adroitly made the requisite concessions. He wouldn't "quibble," he told NEWSWEEK, with descriptions of him as a past supporter of affirmative action and minority "set-asides." He simply came to the conclusion recently that preferences were unfair and unworkable.

Lama → NEC should now carefully address B

4/18
THE PRESIDENT HAS SEEN

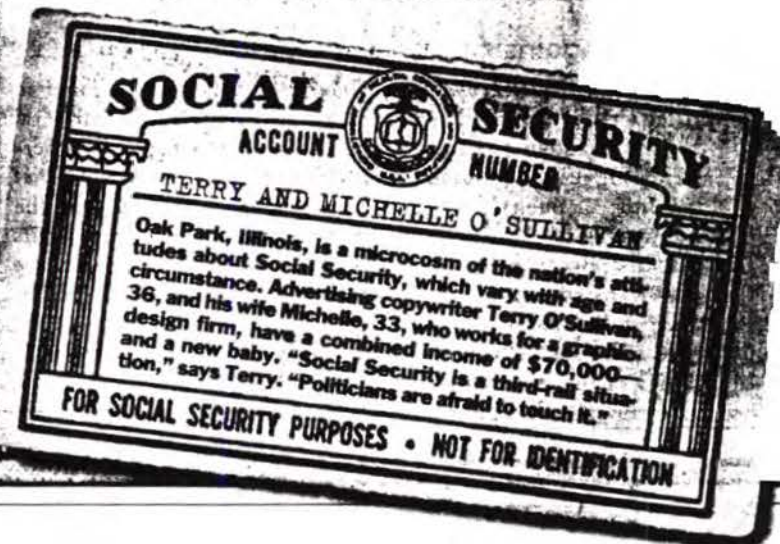
SO
The numbers don't add

By GEORGE J. CHURCH and
RICHARD LACAYO



YOU KNOW A GOVERNMENT program is in trouble when it's less credible than a flying saucer. At a Senate committee hearing last month to reconfirm Shirley Chater as commissioner of the Social Security Administration, Republican Alan Simpson of Wyoming confronted Chater with a poll showing that more people under the age of 35 believe in UFOs than in the prospect that Social Security will pay them benefits upon retirement. Whatever the merits of their judgment on extraterrestrials, on Social Security the new workers have it exactly right. Given enough time, reality bites.

Long before they get their first serious wrinkle—in 20 years, more or less, when people now in their mid-40s begin to retire—the system will be



THE COURAGE

The only way to avert disaster is to start changing the system now





lurching into its final crisis. For government to pay pensions to the advancing tide of baby boomers will almost certainly require stunning benefit reductions or huge tax increases. More likely both. After years of fiscal and political fecklessness, an explosive conclusion.

And years before it collapses altogether—starting this year—the Social Security system will begin to be a bad deal for increasing numbers of those who do collect benefits. Until now, just about all recipients have got back the sum of their lifetime contributions, plus interest, with just a few years of retirement checks. Everything after that was gravy. But some 1995 retirees will be the system's first losers—meaning the benefits they stand to collect will, on average, fall short of what they paid in Social Security taxes, plus the interest those taxes might have earned if the money had been invested in, say, a bank savings account.

The unlucky pioneers are higher-income men (they pay more during their working years) who have never married (so they won't get the additional 50% in spousal payments that can go to married male retirees). A small category, but prophetic. They will be the first to run up against the



personal deficit in store for many younger workers, who pay much higher rates of Social Security tax than their parents' generation. If the system let earlier retirees make out like bandits, for everyone who follows it's hands up.

Or at least that's what will happen if Social Security endures in something like its present form. Should it? Though it's anathema to most politicians to say so, among the scholars and policy analysts who study the budget charts and chew their nails in suspense as the baby boomers inch toward later life, the verdict is just about unanimous: as Social Security nears its 60th birthday, it is ripe for retirement.

Most Americans, they argue cogently, would be better assured of a financially independent old age by a two-tier system. Part

of it would guarantee a safety net to those who really need it. A second part, funded through mandatory private savings, would pay all Americans retirement benefits pegged to their actual contributions. But if the change is to take place, it would be better to have it before the immense claims of retiring baby boomers send the system into shock—and create a huge bloc of pensioners fiercely invested in the status quo. Also

before a resentful younger generation, faced with the prospect of giant tax hikes, starts practicing reform with a sledgehammer.

HOW DO WE GET OUT OF THE PRESENT predicament? In the always conventional wisdom of Washington, legions of the elderly and those nearing retirement are terrified that any change, even the smallest, will lead sooner or later to slashing their none too generous government checks. And they will punish any legislator who doesn't swear to keep hands off the system with the electoral equivalent of burning at the stake. This attitude certainly exists, and not only among older Americans of modest means. Leonard Schwartz, 52, a lawyer in Austin, Texas, earns a six-figure income and has built up a sizable nest egg for the retirement he hopes

start early. Even so, he's worried. "I'm going to be relying in part on those [Social Security] benefits. If they start cutting in 10 or 15 years, after I've retired, there's going to be no way for me to adjust."

In the Senate earlier this month, the balanced-budget amendment was brought down largely because its C.O.P. sponsors would not give ironclad assurances that Social Security would not be touched. In opposition, a few Democratic Senators said they were trying to prevent Congress from "looting" the Social Security trust fund to cover the deficit in other operations.

That contention is, to put it politely, mendacious nonsense. It perpetuates one of the worst myths about Social Security—the idea that the system has piled up vast reserves to pay future pensions. In fact, the so-called trust fund is an empty cookie jar because the Treasury has already raided it for hundreds of billions.

Right now the process makes everybody look good. The Social Security Administration this year will collect about \$58 billion more in taxes than it pays out. The surplus goes into the trust fund, and is "invested" in Treasury bonds. Which means the Federal Government borrows the \$58 billion

and spends it on aircraft carriers, welfare checks and the like. The government gets to report a deficit of \$193 billion, rather than the \$251 billion it would have to confess to if it did not have the use of that Social Security money. At the same time, the Social Security trust fund shows an increase of \$58 billion in the money it supposedly has stashed away to pay future pensions.

Ah, but what happens when the fund needs hard cash? That day is coming, maybe in 2013, maybe in 2019; estimates vary. Sometime around then, Social Security taxes paid by people still working will no longer cover the pensions owed. The trust fund will have to turn the Treasury bonds it holds into real money.

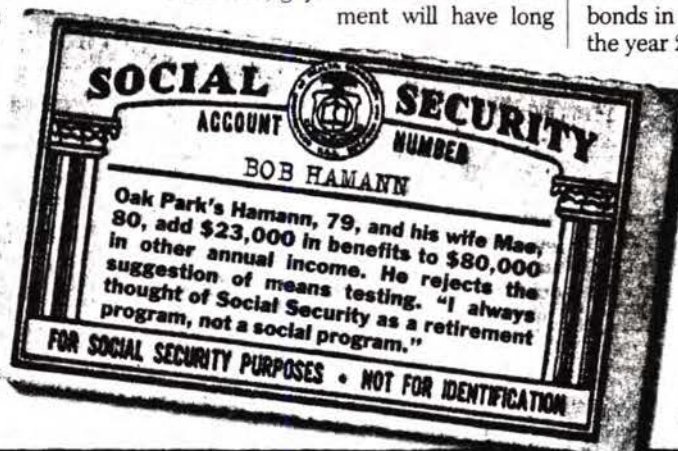
Good luck, guys. The Federal Government will have long

since spent the proceeds. To redeem the bonds, it will have to raise income taxes sharply or slash spending on things other than pensions severely, or borrow the money from the general public and drive up interest rates, or print money and give a big boost to inflation. Or Social Security taxes will have to be raised heavily yet again. (They have already multiplied 10 times since 1950, from 3% on the first \$3,000 of a worker's earnings to 12.4% on the first \$61,200 of earnings, with employer and employee theoretically each paying half.) Or pensions will have to be reduced greatly.

Nor will that be the end. Assume, for the moment, that the Treasury does somehow come up with the cash to redeem the bonds in the trust fund. Some time around the year 2029, when Generation X starts to

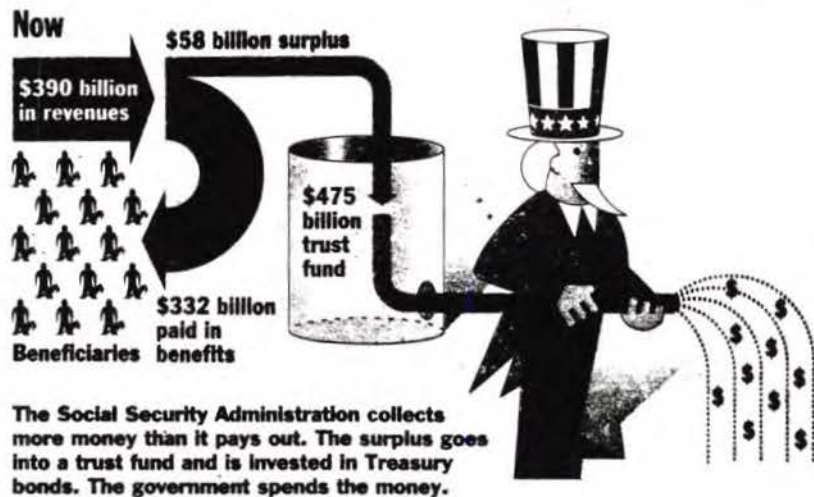
retire, the trust fund—even if it existed at all—would be empty. At that point, to maintain pension payments, even at a reduced level, the Social Security tax by some calculations will have to be raised to 17% of wages—a level that would devastate the economy.

Why did the system fall into this trap? Primarily, says Nobel-prizewinning economist Milton Friedman, because it was "designed for a world that no longer

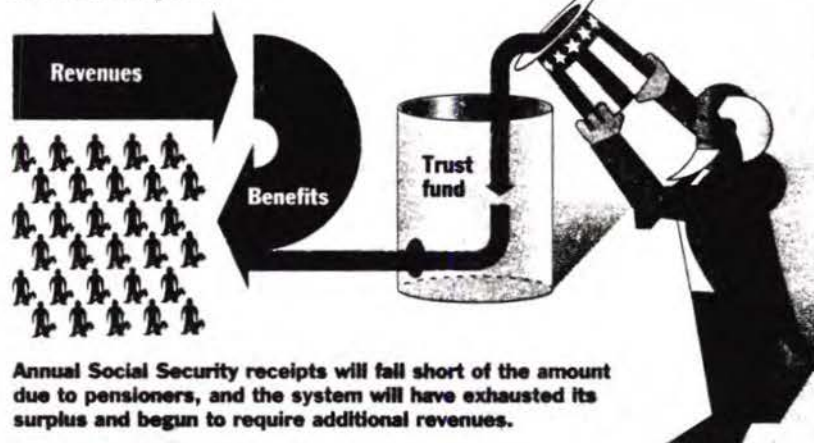


HOW IT WORKS

WHERE THE MONEY GOES



In about 20 years



TIME Graphics by Joe Kartel

exists." In 1935—or even in January 1940, when the first checks were mailed—the U.S. was a much smaller, poorer country, still ravaged by the Great Depression that struck with special savagery at the old. Those people lucky enough to have jobs were overwhelmingly male. Even more important, the world had yet to hear of organ transplants and the manifold other wonders of modern medicine. Once they were available, along with the better nutrition and sanitation that accompanied postwar prosperity, Americans began living—and collecting pension benefits—longer than the architects of Social Security could ever have dreamed.

In 1940, only 54% of American men and 61% of women could expect to celebrate their 65th birthdays; after they did, the men could expect to live 13 more years, the women 15. By 1990, though, 72% of men and 84% of women could count on reaching the age of 65—and those were percentages of a much larger population. Once past retirement age, the men would live an additional 15 years and the women 20. Some experts think most babies born this year will live for 85 or even 90 years.

The irresistible force of demographics has changed the most important of all Social Security figures—the ratio of workers to pen-

YOU THINK YOU'VE GOT MO

Number of workers supporting each person receiving benefits



1970 1975 1980 1985 1990

FAMILY VALUES

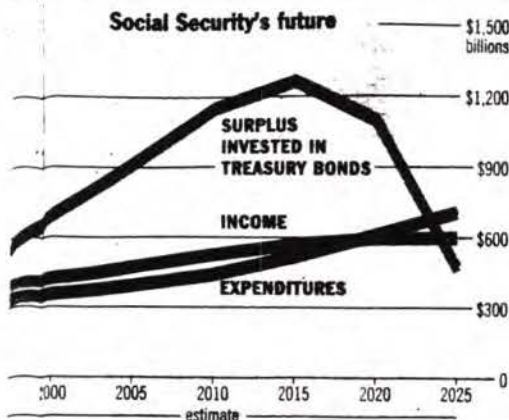
Social Security provides retirement benefits to a spouse equal to 50% of the wage earner's benefit. Working wives—now

60% of all married women—pay into the system at the same rate as their husbands and can choose to collect either the spouse benefit or their own pension, whichever is higher. But because women often earn less than men—and many work sporadically—their own pension is likely to be the lower amount, and then they receive the spouse benefit instead. So for many working women, their contributions to Social Security make no difference in the pension they receive. Looked at another way, however, Social Security is one of the few government programs that treats homemaking and child rearing somewhat like a job—and rewards staying married.

sioners—beyond recognition. In 1950 there were 16 workers paying taxes for every retiree collecting benefits. Now three workers support each pensioner. And that is before the system gets hit with a double whammy as a result of the baby boom. Beginning around 2012, and extending over more than a generation, the boomers will be retiring by the millions each year. As they leave the work force they will be replaced by the much larger number of members of the baby-bust cohort born between 1965 and 1975. By year 2030 there will be only two workers to support each pensioner—and at current rates of costs and benefits, it can't be done. No way.

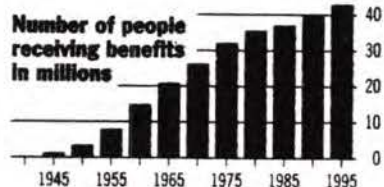
KEY PROBLEMS NOW...

Social Security's future



BENEFITS AND TAXES

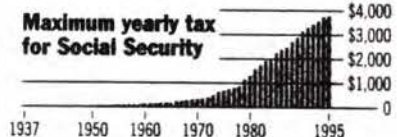
Number of people receiving benefits in millions



Maximum wage taxed



Maximum yearly tax for Social Security



Worker's employer puts in the same amount. Self-employed pay double.

THE CHECK IS IN THE MAIL

How long it will take you to get it back

For workers retiring in January 1995 at the age of 65

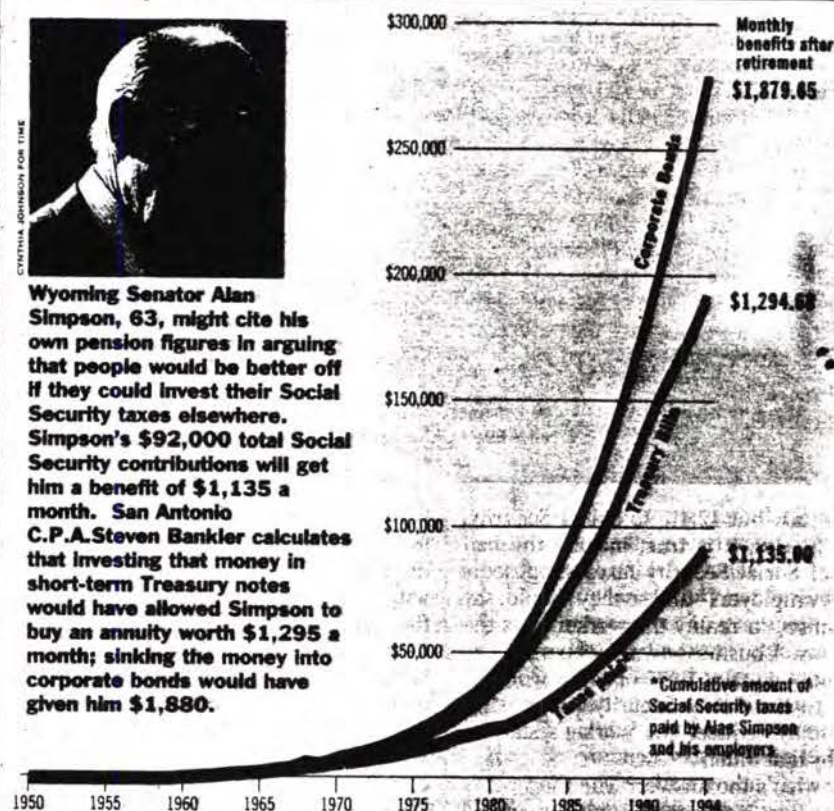
	Low-Wage Earner (\$10,682 in 1995)	Average-Wage Earner (\$23,738 in 1995)	Maximum-Wage Earner (over \$61,200 in 1995)
Cumulative Social Security paid by worker*	\$10,185.43	\$22,634.18	\$48,026.99
Monthly benefit amount	\$520.00	\$858.00	\$1,199.00
Approximate number of months to recover what earner has put in	20 months	27 months	41 months

*Worker is assumed to have had earnings from age 22 through the year before retirement. The worker's employer puts in the same amount as the worker.

ONE SENATOR'S FINANCES



Wyoming Senator Alan Simpson, 63, might cite his own pension figures in arguing that people would be better off if they could invest their Social Security taxes elsewhere. Simpson's \$92,000 total Social Security contributions will get him a benefit of \$1,135 a month. San Antonio C.P.A. Steven Bankler calculates that investing that money in short-term Treasury notes would have allowed Simpson to buy an annuity worth \$1,295 a month; sinking the money into corporate bonds would have given him \$1,880.



Many people flatly refuse to believe Social Security was sold to the populace as social insurance, with disastrous effect. Legions of people take it as an article of faith that each person gets back in benefits exactly as much as he or she has paid in contributions during the working years. Some seem to think that somewhere in the depths of the system is an account bearing each person's name and number, containing the exact amount of taxes paid over a lifetime, in cash or readily cashable securities, to be paid back penny for penny on retirement. This idea lends a note of moral fervor—almost fanaticism—to the demands

that benefit formulas never be touched.

But it is a mirage. To finance Social Security, Congress set up a pay-as-you-go system that is still in operation: each year's pensions are paid out of the taxes contributed by workers that year. In the early days it was a fabulous money-and-votes machine. Workers paying taxes, even at what now look like phenomenally low rates, so heavily outnumbered retirees that Congress could raise benefits every few years, to the glee of pensioners and the ballot-box profit of their representatives. Even when the money began to run out in 1983, a bipartisan commission saved the day—for

the next 75 years, it was then thought—by recommending rather minor cutbacks in benefits and very major increases in taxes, the last of which took effect only in 1990.

That road to salvation, however, has probably hit a dead end. Social Security taxes, once negligible, have become a severe burden, and one of the most regressive taxes that government collects. An estimated two-thirds of all workers, especially younger ones and the working poor, pay more Social Security tax than federal income tax. In 1991 a family of four earning half the median U.S. income—\$43,000 that year—paid 4.8% of its meager earnings in

How Chile Got It Right

By **SUNEEL RATAN** WASHINGTON

THE "TWO-TIER SYSTEM" THAT MANY EXPERTS ON SOCIAL Security recommend for the U.S. was pioneered in Chile. Having passed through years of military dictatorship before becoming a democracy, that country isn't normally regarded as a showcase of social policy. Yet its 14-year-old retirement system is being adopted by a number of other nations, including Argentina, Australia and Sweden, that have graying populations and overburdened pension plans. The enforced savings and investment features of the new system are already credited with one remarkable outcome: the net worth of the average Chilean—\$21,000—is almost four times the worker's average annual salary. By comparison, the average American has a net worth just about equal to the average U.S. salary of \$36,000.

Chile's earlier pension system was based on the American model. By the mid-1970s it faced a financing meltdown that presented the government of General Augusto Pinochet with two familiar options: cut benefits or raise taxes. Instead Pinochet scrapped the payroll tax-financed system altogether and replaced it with a small, flat stipend, funded out of the government's general rev-



Even Chile's peasants have increased their net worth.

enues, that goes to only the poorest pensioners. Everyone else is required to put 12% of salary into one of 24 large investment funds that the government tightly regulates. The results, say boosters of the Chilean solution, are all on the upside. Individual Chileans now enjoy retirement benefits that are 40% higher than those paid under the old system. The Chilean economy gains as well. Assisted by the assets stashed away under the pension plan, the nation's once anemic savings rate is up to a healthy 29%. (In the U.S. it's just 3%.) That in turn has been a factor in helping sustain Chile's enviable 8% annual growth rate.

The jury is still out on whether Chile's social safety net for the elderly poor is sufficient or will prove enduring in the face of other budgetary priorities. But in October the World Bank released an international study of pension systems that deemed the Chilean approach instructive not only to the

developing countries the bank serves but also to advanced industrial nations with troubled government-financed pension systems, such as France, Germany, Italy—and the U.S. Social Security scholars assert that there is not the same urgency for change in the U.S. But, says Robert Genetski, a Chicago-based economic consultant, "when the American worker finds out that the typical worker in Chile has more assets than we have, the American worker is going to get very upset."

income tax, but 12.4% to Social Security. Those figures, it is true, include the half share of Social Security taxes supposedly paid by employers—and so they should, say economists; in reality the worker pays the whole tax. A business owner who must pay an amount equal to 6.2% of a new worker's wages to the Social Security Administration simply reduces the worker's starting wage by that much.

So what's the answer? The thoroughly conservative Heritage Foundation would have us privatize the system altogether, allowing anyone who so desires to opt out at once and receive from the government a check for their contributions to date. They would then be obliged to invest that money, plus all future contributions that would have otherwise gone to the Social Security trust fund, into a mandatory IRA. Dan Mitchell, a Heritage analyst, calls that "a reasonable way of cutting our losses."

How reasonable? Under that arrangement the workers most likely to leave the system would be the youngest and the most prosperous, taking with them their larger tax contributions. Those most likely to remain would include a disproportionate number of low-wage, low-tax workers, who rarely have the kind of jobs that come

with good pensions. In no time the government's obligations to retirees would exceed its Social Security revenues, leaving it without funds to continue paying checks to the current crop of retirees or to those nearing retirement who were counting on Social Security. "The system is obligated to them," says Eugene Steuerle, an expert at the Urban Institute, a middle-of-the-road Washington research institute. "Society does have this obligation."

For the larger number of Social Security critics who don't want to send the system into tilt but still want to see it radically revised, there are still a number of major changes that could have a real impact:

CUT THE OUTFLOW: That could mean raise the retirement age from 65. And raise or abolish the early retirement age, now 62, at which recipients can collect partial benefits. Or institute a means-test denying full benefits to those with huge incomes from other sources. Or reduce annual cost of living increases. Or do them all. The general idea is to reduce the total of benefits payable and thus put off the evil day when the system crashes.

The retirement age is already scheduled to rise very slowly, to 67 by 2027.

Many think it should be boosted faster and to age 70. "It is absurd to keep same retirement age as when expectancy was 10 to 15 years lower," says economist Friedman—still active as senior research fellow at Stanford's Hoover Institution at the age of 82. It is also very expensive to prompt people to retire, what now seems to be an early age and collect pensions rather than pay taxes that might finance others' pensions for a five years or so. The counterargument voiced by International United Mine Workers of America president Rich Trumka, among others, is that many blue-collar jobs are too physically demanding to be continued beyond, or even up to, 65.

As for means-testing benefits, Peter Peterson, the investment banker and former Secretary of Commerce who helped found the deficit Concord Coalition, proposes a detailed plan: households with annual incomes of more than \$35,000 would have all their federal benefits, including Medicare, civilian and military pensions, farm subsidies as well as Social Security, reduced on a sliding scale starting at 71 and going up an additional 5% for each \$10,000 of extra income. At \$185,000 or above households would lose 85% of federal benefits. Peterson figures his plan would save \$36



lion annually in Social Security outlays by the year 2000.

Opponents argue that the scheme would introduce bad incentives into the system by tempting high earners to conceal income. What some of them would prefer to see is a gradual, across-the-board reduction of benefits. One way that could be accomplished is by ending the special protection against inflation granted to Social Security pensions, which are increased every year to offset the full amount of inflation. Cost of living adjustments in most private pensions and in workers' wages are limited to part, if any, of the annual increase in prices. Why should Social Security pensioners alone be fully protected? Political clout, and no other reason.

GO PRIVATE: This is a variation on the Heritage Foundation idea, but one that would not allow younger and more affluent workers to abandon the system altogether. The basic concept: require workers to place part but not all of their Social Security contribution into a system of mandatory IRAs. The funds' managers,



selected by the government for integrity and competence, would invest the money in corporate stocks and bonds. In most versions, workers would get to choose funds that pursued very conservative or more adventuresome investment strategies.

At retirement, workers would get a pension based on the amount of contributions, plus accumulated earnings, in their individual account, the way many people wrongly think Social Security runs now. It's also the way many corporate pension and savings plans work, including the ubiquitous 401(k).

This plan differs from the Heritage scheme, however, in that it would still

require some mandatory payment into government coffers as well, which would be used to provide a safety net for indigent retirees and to guarantee benefits to current retirees and those soon to come who have not spent a lifetime accumulating a private account. But younger workers would be on notice that when they reach retirement, they will have to

depend largely on what they have built up in their IRAs.

COMBINE IDEAS: No one solution is likely to cure all the ills of Social Security. "There's a good argument for doing many things at once," says economist Neil Howe. "First, we should be raising the retirement age to 70. Second, there should be an affluence test to shift the system toward a floor-of-protection concept. Third, we should gradually move to a private plan."

Why not just declare Social Security a failure and eliminate the entire program, with the exception of a welfare-style safety net for the elderly poor? Originally, it was the safety-net concept that was most popular. But before long, that function was

eclipsed by the act's more controversial provisions, which guaranteed all workers an earnings-related benefit. F.D.R., the architect of the system, also knew that spreading the benefits around to everyone would shield Social Security from political attack. He funded it through a separate payroll tax to keep it closely identified in the minds of voters as a payback for their working years. That way, he once said, "no damn politician can ever scrap my Social Security program."

Lawmakers still regard talk of reforming the system as the supreme act of political recklessness. A detailed program was recommended last year by Senators Bob Kerrey, a Nebraska Democrat, and John Danforth, a Missouri Republican (since retired), who were appointed by President Clinton to head a bipartisan commission on entitlement reform. Their plan called for raising the retirement age to 70, cutting the benefits of upper-income retirees, and recalculating the Consumer Price Index.

Kerrey and Danforth's principal idea was to slash the worker's share of the Social Security tax from 6.2% to 4.7% (the employer's share would remain the same), but require workers to invest the tax money saved in IRAs or 401(k)s. Future Social Security pensions would also be reduced to reflect the drop in taxes. In a superb example of the political cowardice that blocks any change in Social Security, Kerrey and Danforth could not even get the backing of their own commission. They had to submit their plan to the White House on their own, and Clinton has ignored it.

But is Social Security really such an untouchable issue? As younger workers become a larger proportion of the electorate, they can be expected to assert their own interest in the matter, which is not the status quo. And it's even possible to hear at least a peep of compromise from the American Association of Retired Persons, the huge lobby that has treated most prior talk about changing Social Security the way the National Rifle Association of America reacts to new gun-control bills. "It's probably true that in the future we're going to have to lower benefits and get a little more revenue," says John Rother, AARP's legislative director. "As long as we give people as much lead time as possible to plan and adjust."

In a sense, the political system is more at stake than the Social Security system. The problem is the sort that representative governments are not good at solving: a potential disaster that can be clearly fore-

seen but is not imminent, and that can be escaped only by accepting some present pain as the price of avoiding much worse future pain. So long as the crisis is not about to burst next month, Democrats will see political profit in portraying any proposal to change Social Security as a Republican conspiracy to starve the poor and elderly. Republicans

will think the only defense is to swear eternal fealty to the system as it is. Whether both parties can overcome the impulse to demagoguery and agree on some reasonable reforms poses nothing less than a severe test of democratic government. Most of them already know the urgent question: How can the country honor the promise it has made to the current crop of older Americans without fleecing younger ones? The trick is to get them to ask it out

loud. —Reported by Jon D. Hull/
Chicago, Ratu Kamiani/New York
and Suneel Ratan/Washington



THE PRESIDENT HAS SEEN 4/18

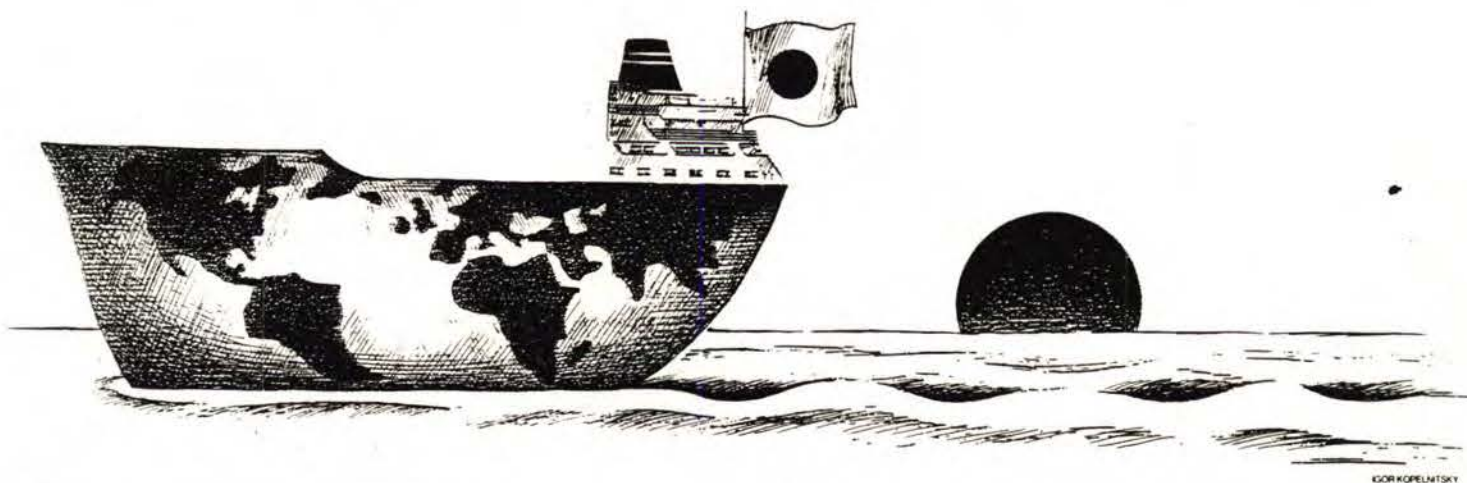
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cc POTUS, Leon George, L. Tyson, Ira
VOTUS, B. Rubin
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From: HRC

Japan Inc. is Still in Business

Two new books argue that the Land of the Rising Sun remains an economic threat to the United States.



JAPAN: WHO GOVERNS?

The Rise of the Developmental State.
By Chalmers Johnson.
384 pp. New York:
W. W. Norton & Company. \$25.

BLINDSIDE

*Why Japan Is Still on Track
to Overtake the U.S. by the Year 2000.*
By Eamonn Fingleton.
406 pp. Boston:
Houghton Mifflin Company. \$27.50.

By Adam Smith

PUCCINI certainly didn't help. Poor Madame Butterfly, plunging a dagger into her chest! That loud Lieutenant Pinkerton, coming back to Nagasaki to take their child away! Today Pinkerton wouldn't have got a second date with Butterfly. At less than 100 yen to the dollar, figure 200 bucks taxi fare to the base and back, \$35 for the melon, \$80 for the steak — with tips, he's busted. No opera. Ms. Butterfly would have a chain of boutiques from Tokyo to East 57th Street, importing the goods from the sweatshops of East Asia. But we still have the old image of Japan, cherry blossoms and all that bowing. Even when "Madama Butterfly" had its premiere in 1904, the Japanese were an underestimated naval power about to smash a Western navy, that of Russia.

Americans have never seen the Japanese clearly. In World War II, they were devils; to Douglas MacArthur, after the war, they were children; and since then they have been the workhouse that supplies us with all our faxes and copiers and cameras and a lot of our cars. Every year they sell us \$50 billion more of these goods than we sell them. (They trade this way with the rest of the world, too.) Every year we try to do something about this; we cajole, we threaten, we talk our own currency down to make our exports cheaper — and the Japanese give way. A bit. This year they took some Washington State apples, amid the popping of many flashbulbs. But when the figures came in, the deficit was the same old \$50 billion. (It takes a lot of apples to match a Toyota.)

The Japanese have the largest trading surplus of any country in the world. My man at the Deutsche Bank in Tokyo, who reads both Japanese and numbers, says

Adam Smith, a pseudonym for George J. W. Goodman, is the founder and host of the weekly PBS series "Adam Smith" and the author of "The Money Game."

that in another five years they'll have a surplus of \$1 trillion. Then they can finish buying what they haven't already bought.

Writers who view this situation darkly are called revisionists. Most economists make certain assumptions about the behavior of people — how they spend, how they work. Conventional wisdom says capitalism "works" in a certain way, and the models look like the economies of Britain and the United States. The revisionists say Japan doesn't fit, it is some new form of capitalism, a whole other animal, and if the world doesn't wake up to this and adjust its ideas, we're all just humming Puccini.

Two of the revisionists have new books. Chalmers Johnson, a former University of California professor who learned Japanese as a naval officer in the 1950's, is in many ways the dean of the revisionists. His book is a collection of previously published essays entitled "Japan: Who Governs?" Eamonn Fingleton, the Asia editor of the financial publication *Euromoney*, has written "Blindside: Why Japan Is Still on Track to Overtake the U.S. by the Year 2000."

Chalmers Johnson approaches Japan not as a model-building quantitative economist but as a political economist. In "Japan: Who Governs?" he writes that some officials in Japan's Ministry of Foreign Affairs have labeled him a "Japan-basher" so that his works won't be taken seriously in the United States while, sub rosa, they circulate them to their own people. But it isn't just the Japanese who have bashed Mr. Johnson; many mainstream Western economists write him off. The feeling is mutual. "Economists who do not read a single character of Japanese and have made no empirical investigation of the Japanese economy nonetheless make pronouncements on the Japanese economy as if they knew what they were talking about," he says. They have never understood Asian capitalism, they try to place their own blunt template on the scene and, he adds, their ideas will be judged by history "as having the same relationship to Asian capitalism that academic Marxism-Leninism taught in the U.S.S.R. until August 1991 had to the Soviet economy."

Who governs Japan? An elitist state bureaucracy, Mr. Johnson says, staffed by the brightest people from the best schools, appointed through competitive exams, unaffected by election results. Prime ministers fall, political parties shift, but the same bureaucrats are at the same desks. They draft all the laws, regulations and licenses that govern society, and have the extralegal power of "administrative guidance." They are not free traders, Mr. Johnson insists; they are mercantilists who will not be happy until all the chips in the world are theirs. They want to make sure Japan is around for another few thousand years.

The state bureaucracy works hand in hand with the *keiretsu*, groups of companies that own one another's stock. The *keiretsu* minimize competition and make

sure that nobody has to listen too hard to outside shareholders complaining about profits. The goal isn't profits, anyway; it's to increase market share, whatever the cost, around the world. To achieve this, the companies will collude on pricing to exclude foreigners, keep domestic prices high to finance undercutting abroad, and price predatorily abroad to kill off the competition. According to Mr. Johnson, that is why Japanese cameras and copiers often are cheaper at 47th Street Photo than in the country of their manufacture. (Japanese hostility to foreign goods extended even to *free* relief supplies sent after the Kobe earthquake, when warehouses of flu vaccine and Tylenol remained untouched.)

Mr. Johnson has been writing like this since the mid-1970's, and he has done his work well: these arguments are by now familiar. These essays were written over several years, and cover a variety of topics on Japanese politics as well as Japanese trade. One particularly interesting piece is on translating Japanese political terms. For example, *chosei* can mean, benignly, "coordination"; but, says Mr. Johnson, a translator "encountering the term *chosei* should become instantly alert." The word is a euphemism for the actual, and private, global activities of the Japanese bureaucracy.

Don't the Japanese blunder too? Didn't they pay too much for Rockefeller Center? Didn't they just go through a wrenching recession? For that matter, aren't there serious questions about structural engineering after the Kobe earthquake?

THAT'S what they want you to think, says Eamonn Fingleton; it's their poker posture. They like the world thinking poor Japan, poor Butterfly, while they figure a way to rake in more chips. Mr. Fingleton thinks about as much of the American business press as Mr. Johnson does of American economists: they take what the Japanese hand them, and the dummies don't know they are being "administratively guided," because they can't read Japanese.

The business press has been full of stories about the end of Japan Inc., but Mr. Fingleton tells us that Japan is now the world's largest spender on civilian research and development. He reminds us that Japan is also the world's largest manufacturing economy, and its citizens are, per capita, the world's richest. They have more telephones, air conditioners, television sets and hospital beds per capita than Americans, and fewer alcoholics, prisons and children living in poverty. They are poorly housed, he concedes, but that is public land policy — it helps keep Japanese savings high. And the Japanese save 20 times as much as Americans.

Since the mid-80's I.B.M. has got "lean and mean" by eliminating 150,000 people from its workforce; Hitachi has hired 5,000 people and become the world's largest high-tech company. Even with Japanese labor costs so high, companies like I.B.M., Boeing, Xerox and

Apple increased their purchases from Japan in the early 90's; they couldn't find the components at home.

Japan has built up a number of high-tech monopolies, some of them obscure. In 1993 there was an explosion at a factory in a remote town called Niihama, which makes a resin used in semiconductors. As a result, the prices of semiconductors nearly doubled. It turned out Niihama was producing 65 percent of the world supply, and there weren't any alternate sources.

Mr. Fingleton points out that the surpluses generated by Japan from its trading practices and its monopolies are invested in plants around the world — especially, at the moment, in East Asia. That is why disk drives now come from Singapore and memory chips from Korea. The United States might try to get tough with Japan, but it can't get tough with all of Asia.

As Asia accelerates its growth, Japanese companies will build its cars and its information highways and, as Americans come increasingly to be perceived as weak, other countries will lean to more "administratively guided" economies. They may even get more arrogant about dictating trade terms — and caning American teen-agers. "Clearly the Japanese oligarchs' ultimate aim is for Japan to supersede the United States as the world's dominant society," Mr. Fingleton writes. "As American economic power dwindles, Japan will have little hesitation in accepting supreme responsibility."

"Japan: Who Governs?" is brilliant in its insights. "Blindside" is a crisp, well-written, well-executed alarm. Neither of these books can be missed by anyone concerned with the issues they discuss.

OF course, there are those who see no problem here. We take the goods from Japan and give them chits, our dollars. Good deal, they say; we get the goods, they spend the chits. Fine. It all comes out somewhere in capitalism. Meanwhile, our country is full of start-ups, fast-growing software companies that zip around the Japanese monsters like PT boats around battleships.

Mr. Johnson and Mr. Fingleton would not agree. First, they say, we have to learn more about the non-Butterfly Japan, which is not as easy as you might think. A few years ago the Harvard Business Review began publishing some insightful pieces on the Japanese economy; but, Mr. Fingleton writes, it reputedly had to back off because professors were worried about Japanese financial support of Harvard.

Neither of these two revisionists has any specific, hard-line proposals you could tape to a kitchen refrigerator. Mr. Johnson says wistfully, in almost his last paragraph, that it would be good to have a new Japanese-American alliance based on current realities. Mr. Fingleton sees the real problem as American individualism — excessive individualism — which enables the Japanese to exploit us and buy us through their high-priced Washington lobbies.

Both Mr. Johnson and Mr. Fingleton arrive at the need for an American "industrial policy." An industrial policy is a coherent, top-down government program with plans and goals, one in which the government, not the market, directs the action. In the absence of a United States industrial policy, says Mr. Fingleton, "Japan's industrial policy will prevail in America by default." The United States Defense Department, in its own way, has an industrial policy. But the United States as a whole does not. Sometimes, ad hoc, an industry in crisis gets Federal help. Detroit got "voluntary" quotas on Japanese cars. The computer industry now has the billion-dollar National Flat Panel Display Consortium, trying to recover this important computer field from the Japanese, who have 95 percent of it. But among international traders, the competing and overlapping American bureaucracies are sometimes called "Japan without brains."

Say the words "industrial policy" and Americans get nervous. Which industry? What policy? We even have trouble closing 67 military bases the Pentagon no longer wants, because each base is in some Congressman's district. We have a large, noisy, resilient, diverse economy. It is not directed, like the Japanese economy. If we believe the Contract With America, citizens want to hear even less from Washington. Meeting the Japanese challenge — and now the Asian challenge — is a continuing task. The American response can't be an imitation of Japanese policy; that policy reflects a society with a long history. The American response has to be creative, entrepreneurial, daring, even intuitive. We can't go on humming Puccini. □

THE CHRISTIAN SCIENCE MONITOR

THURSDAY, MARCH 20, 1995

THE PRESIDENT HAS SEEN 4/18

I Looked: AmeriCorps Works

By Amy Wu

LIKE House Speaker Newt Gingrich and fellow Republicans, I once bashed the AmeriCorps program shamelessly. I saw it as a jobs program and chastised the young people involved as money grubbers who dared to call themselves "volunteers."

But I have been transformed from cynic to convert. After months of talking with people in the program and watching them plant trees in empty lots, settle disputes in rundown urban schools, immunize children, combat water pollution, and clean graffiti-plagued streets, I am enlightened. These young people, who are labeled "slackers" and "MTV-addicted couch potatoes," are diligent, enthusiastic, hard working, and maintain a balance of idealism and realism.

On a chilly, bright November morning I followed a group of college-aged AmeriCorps workers into New York's Lower East Side where they were transforming a parking lot into a bright and cheerful place. I fired hardball questions at people who were coating parking meters with paint and scouring away at graffiti. "So why did you really want to join this program?" I asked each person. One eyebrow lifted in suspicion.

I wanted to believe that they joined because they didn't know what else to do, that they needed the money, that this was an easy alternative to taking out a loan, that it would be a highlight on their resumes, that they would admit with frankness that the dollars were a lure, that they cared more about changing their lives than other peoples'.

I did receive frank answers, but there was a freshness to them. One young woman said she was tired of having her generation labeled so negatively and wanted to show the world the other side of the story.

"I don't sit around and whine all day," she said angrily. "I keep busy. I like helping people. Is there something weird about that?"

In an age when high-profile politicians, high-powered executives, and even religious

leaders perform "random acts of kindness" for money, book advances, and appearances on talk shows, there is something rare about people doing something just because they want to help, to make a difference, to give something back for all they have been given.

A few of them grew up in upper-middle-class suburbs, went to Ivy League schools, and now want to give back to society. Others grew up in poor neighborhoods, battled the hardships of the streets, triumphed, and want to help and inspire those still living in the war zone.

And the money? If you take the grants given to the students and divide by the hours, they are making minimum wage or less. One young man laughed at the notion that he was in it for the money. "If I wanted to make real money, I'd go find me a part-time job," he said. As for recognition? There's hardly any. "The media love to write about those slackers, hackers, and young people that just goof off," he said. "I guess that stuff sells."

After weeks of talking with these young people, watching them toil in the dangerous neighborhoods, rundown schools, and understaffed medical clinics, it was obvious that the communities were benefiting. AmeriCorps has made a difference.

AmeriCorps shouldn't be abolished. It should be endorsed, encouraged, and expanded. Thousands of young people were turned away last year because the 20,000 slots were filled. Many are waiting for more slots to open. AmeriCorps isn't a political issue like abortion, but, tragically, it is treated as one. Republicans believe it's a waste of money. Mr. Gingrich believes it's coercive and forced volunteerism. In truth, the fact that AmeriCorps was President Clinton's idea is the real reason Republicans want to kill it.

If AmeriCorps is axed, it won't be because it didn't work, but because of Washington politics.

■ Amy Wu is a student at New York University majoring in history.

OPINION/ESSAYS

An effective program for young people shouldn't be a victim of partisan politics.

From Eli
She seemed
to be called to fulfill
when the time came
Chanel/M. Brown

SECRETARY OF LABOR
WASHINGTON

4/18
THE PRESIDENT HAS SEEN

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MEMORANDUM TO THE PRESIDENT

From:

RBR *Bm*

Date:

April 10, 1995

I thought you might find the attached of interest.

*Laura
Confirmation Data
activity*

from symposium sponsored by
Fed Reserve (Kansas City) August '94

Active Labor Market Policies to Expand Employment and Opportunity

Lawrence F. Katz

All advanced industrial nations appear to be experiencing a jobs problem. There simply appear to be too few decent employment opportunities to go around. This difficulty manifests itself somewhat differently in different countries. But no Organization for Economic Cooperation and Development (OECD) nation appears to have been able to fully escape rising wage inequality (sometimes coupled with declining real earnings for low-wage workers), weak employment growth combined with secular increases in unemployment, or both of these phenomena.

Over the past two decades or so, most Western European nations have experienced substantial real wage growth that has benefited those who remain employed. But they have also experienced stagnation in employment growth, particularly in the private sector. The consequence has been unemployment rates that have ratcheted up over successive business cycles and persistent long-term unemployment. The unemployment/nonemployment problem has typically been concentrated among less-educated workers and new labor force entrants.

In contrast, the United States has produced relatively buoyant employment growth concentrated in the private sector over the same period. But the United States has also experienced slow real wage growth and a substantial increase in overall wage inequality and in educational wage differentials. The consequent large declines in the real earnings of less-educated and low-paid workers have been associated with

increased family income inequality and growing rates of poverty among working families.

Japan and Sweden are two nations that appeared to be a bit more successful in avoiding a jobs problem during the 1980s. Japan maintained low measured unemployment while expanding employment and experiencing rapid growth in real wages. Until recently Sweden's combination of fairly centralized wage-setting and active labor market policies served to generate an extremely egalitarian wage distribution and persistently low open unemployment. But both Sweden and Japan have faced difficult labor market problems with rising unemployment and signs of increasing inequality from the late 1980s into deep recessions in the early 1990s.

The jobs problem appears to be particularly concentrated in declining employment opportunities for less-educated and disadvantaged workers as well as difficult problems for experienced dislocated workers and for new entrants in some economies. While certainly much of the high unemployment experienced in the 1980s and the early 1990s has reflected weak macroeconomic situations, secular increases in some form of labor market distress in most advanced nations over the past twenty years substantially reflect structural problems. A key driving force appears to be a strong shift in relative labor demand *against* less-educated workers and those doing more routinized tasks and *toward* more-educated workers and those with problem solving skills. This relative demand shift appears to be largely associated with skill-biased technological change, but increased internationalization also plays some role. Although the shift in labor demand against the "less-skilled" appears fairly similar across OECD nations, the nature of the labor market outcomes generated by this trend has varied depending on labor market (particularly wage-setting) institutions, the generosity and operation of the social safety nets, and education and training systems.

The evidence that the United States has done better on employment growth but worse on real wage and productivity growth and has experienced larger increases in wage inequality than Europe raises the question of whether advanced industrial nations face an inevitable tradeoff between more jobs (combined with greater wage inequality

and slower real wage growth) and better jobs (combined with persistently high unemployment). Policies that limit market wage adjustments either through direct wage-setting interventions, restrictions on hiring and firing, and/or a generous social safety net not conditioned on work can prevent rising wage inequality but taken too far to an extreme may risk employment stagnation. More decentralized wage setting and "flexible" labor markets may produce better employment growth, but, without increased and more effective efforts to improve the prospects facing less-skilled and less-fortunate workers, such a strategy appears to generate rising wage and family income inequality as well as growing social problems in distressed communities that appear to have become increasingly disconnected from prosperous parts of the mainstream economy.

These two rather bleak scenarios raise the question of whether there exists a "third way" that increases the chances of producing both more and "better" jobs. The possibility of such an approach is highlighted through the realization that the underlying economic changes driving the relative labor demand shift against the less-skilled provide opportunities for more rapid increases in productivity, living standards, and employment opportunities. The jobs problem arises because many individuals (disproportionately the less-educated, dislocated workers, and those from disadvantaged backgrounds) are experiencing significant difficulties adapting to the emerging new economy. The third way needs to use some of the gains of economic change to invest in greater workforce adaptability and in improving the labor market prospects of those most vulnerable to change. Such an approach probably needs to be oriented around active labor market policies that deal directly with the market shifts favoring problem-solving and "soft" (or customer-oriented) skills and adversely impacting less-educated workers. Active labor market policies have the potential to improve the prospects of the disadvantaged and the unemployed by investing further in their education and training, stimulating employment opportunities through direct job creation in the private and public sectors, and providing assistance and information to more quickly match job seekers with job openings.

In this paper I evaluate the evidence for whether such a third way may be possible. I first examine in more detail how the deteriorating

labor market situation for the less-educated and those from economically disadvantaged backgrounds has manifested itself in the United States and other OECD nations. I next turn to a discussion of how active labor market policies might be able to improve the situation. I review the evidence on the macroeconomic effects of such policies and on their effectiveness in improving the earnings and employment of disadvantaged and experienced unemployed workers. I conclude that policies to create a more skilled and adaptable workforce can make a positive difference in terms of both economic growth and equity over the medium term and have the potential to produce some modest reduction in the "natural" rate of unemployment. But one should not expect such policies by themselves to be a short-run panacea for the jobs problem. Active labor market policies will be most effective if complemented by macroeconomic policies that accommodate structural improvements in the operation of labor markets.

Rising inequality in labor market outcomes

In this section I first summarize the evidence on rising inequality in labor market outcomes in the United States. Second I examine the extent to which analogous changes are apparent in other OECD economies. I then present an explanation based on demand, supply, and institutional factors of why the twist in the labor market against the less-skilled has shown up in varied forms across advanced nations. Finally I briefly consider how these labor market changes have adversely affected individuals from disadvantaged backgrounds and have negatively interacted with other serious social problems in high-poverty and high-unemployment communities.

Changes in the U.S. wage structure

Family income inequality increased substantially in the United States over the last twenty years especially during the 1980s. The enormous disparities in the fortunes of American families in recent years have largely been associated with labor market changes that increased overall wage inequality and altered the wage and employment structure in favor of the more-educated and more-skilled. These changes have been carefully documented by researchers using a variety of data sets, including household survey data from the Current

Population Survey, other household surveys, and establishments surveys (for example, Bound and Johnson, 1992; Davis and Haltiwanger, 1991; Gottschalk and Moffitt, 1992; Juhn, Murphy, and Pierce, 1993; and Katz and Murphy, 1992.) The finding that wage inequality increased substantially is not sensitive to the precise choice of data set, sample, or wage measure.

Recent broad changes in the U.S. wage structure can be summarized as follows:

- From the 1970s to the early 1990s wage dispersion increased dramatically for both men and women reaching levels of wage inequality for men that are probably greater than at any time since 1940. The hourly earnings of a full-time worker in the 90th percentile of the U.S. earnings distribution (someone whose earnings exceeded those of 90 percent of all workers) relative to a worker in the 10th percentile (someone whose earnings exceeded those of just 10 percent of all workers) grew by approximately 20 percent for men and 25 percent for women from 1979 to 1989. The gap increased further in the early 1990s.
- Pay differentials by education and age increased. The college/high school wage premium doubled for young workers with weekly wages of young male college graduates increasing by some 30 percent relative to those of young males with twelve or fewer years of schooling in the 1980s. In addition, among workers without college degrees, the wages of older workers rose relative to those of younger workers. A major earnings differential that did fall was that between men and women, which dropped substantially in all education and age groups in the 1980s.
- Wage dispersion increased within demographic and skill groups. The wages of individuals of the same age, education, and sex, working in the same industry and occupation, were more unequal in the early 1990s than ten or twenty years earlier.

Since these changes in the wage structure occurred in a period of stagnation in overall real wage growth, the less-educated and other

low-wage workers suffered substantial real earnings losses relative to analogous individuals one or two decades earlier.

The timing of these changes in the U.S. wage structure from the late 1960s to the end of the 1980s is illustrated in Chart 1 using data on hourly wages for full-time workers from the March Current Population Surveys (CPSs) previously analyzed by Freeman and Katz (1994). The 1980s show some breaks from the past. ~~The upsurge in the college wage premium in the 1980s followed some decline in this differential in the 1970s.~~ The narrowing of the gender gap appears to have started at the end of the 1970s. But rising within group (or residual) inequality appears (at least in March CPS data) to be a fairly continuous process since the early 1970s.

In summary, both one's labor market "connections" and one's formal educational qualifications appear to matter more for one's earnings today than in the past. Hours of market work also have become increasingly more positively correlated with measures of skill. Coleman and Pencavel (1993a, 1993b) find that annual hours of market work have increased for highly educated men and women and decreased for less-educated men and women over the course of the last fifty years. Topel (1993) concludes that since the late 1960s unemployment and nonparticipation for males has become increasingly concentrated on those with low wages and the least education. Two groups of workers seem to have particularly suffered in terms of both wages and employment rates: young workers with limited education and experienced job losers (or dislocated workers). Permanent job losses for previously high-tenured workers are typically associated with substantial and permanent losses of earnings power as previously specialized skills appear to become obsolete or rents from insulated positions in an internal labor market are lost (Jacobson, LaLonde, and Sullivan, 1993).

A comparative perspective on changes in the wage structure

How do changes in labor market differentials by skill and overall wage inequality in other advanced nations compare to those in the United States? Much recent research has examined this issue (for example, Davis, 1992; Freeman and Katz, 1994, 1995; and OECD,

1993). Table 1 categorizes countries by the way their wage structures changed during the 1970s and 1980s. From the late 1960s to the end of the 1970s, educational and occupational wage differentials (skill differentials) narrowed in all advanced nations for which appropriate data is available. With the exception of men in the United States, overall wage inequality for men and women also decreased throughout the industrialized world in the 1970s.

Since the early 1980s the narrowing of skill differentials and wage inequality has ceased in most advanced nations. But, as shown in Table 1, not all OECD nations have experienced sharp increases in wage differentials by skill similar to the United States. Most developed countries (including Germany, France, Italy, Austria, Australia, Canada, Sweden, the Netherlands, and Japan) had moderate or in some cases effectively no rise in both educational wage differentials and overall wage inequality. The United States and Great Britain—countries with decentralized labor markets and systems of wage-setting—experienced exceptionally large increases in wage inequality and wage differentials by skill category. Chart 2 contrasts movements in overall wage inequality by sex for full-time workers in the United States, Great Britain, France, and Japan.¹ Only in the United States (with the possible exceptions of Australia and Canada) did these labor market changes in the 1980s translate into large declines in the real earnings of low-wage male workers who remained employed (even those in full-time employment). Nevertheless, most other nations with less increase in wage inequality and faster increases in real wages than the United States suffered from much slower employment growth and sharper increases in unemployment/nonemployment among less-educated and young workers (OECD, 1994). Finally, increased wage differentials by age and a narrowing of gender wage differentials is also apparent in most OECD nations in the 1980s.

Understanding rising labor market inequality

What explains recent changes in the relative economic position of less-skilled workers in different OECD countries? The wages and employment of different demographic, education, and skill groups depend both on the market forces of supply and demand and on labor market institutions. Changes in the supply of and demand for labor

Chart 1
U.S. Relative Hourly Wage Changes, 1967 to 1989

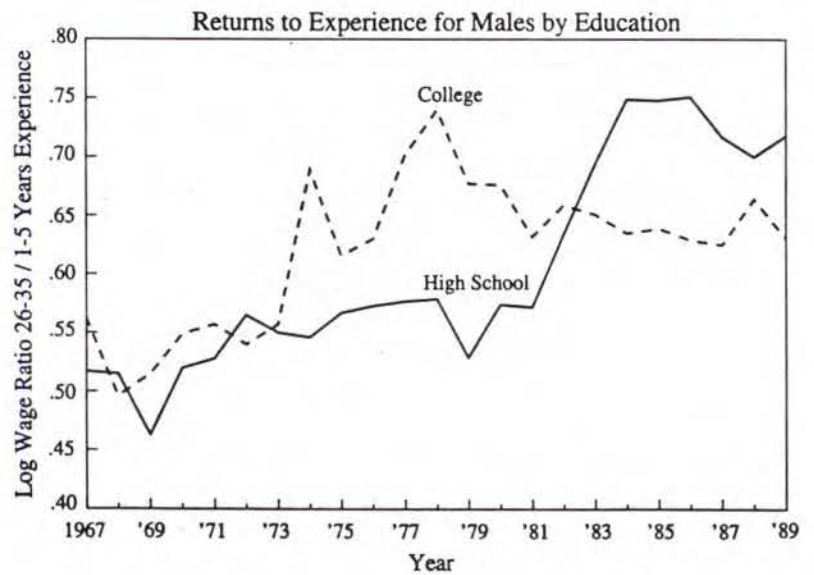
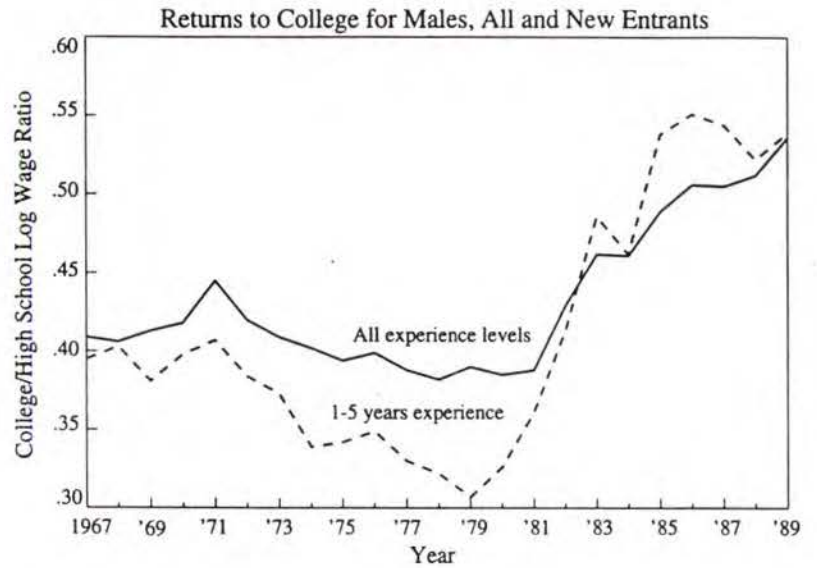
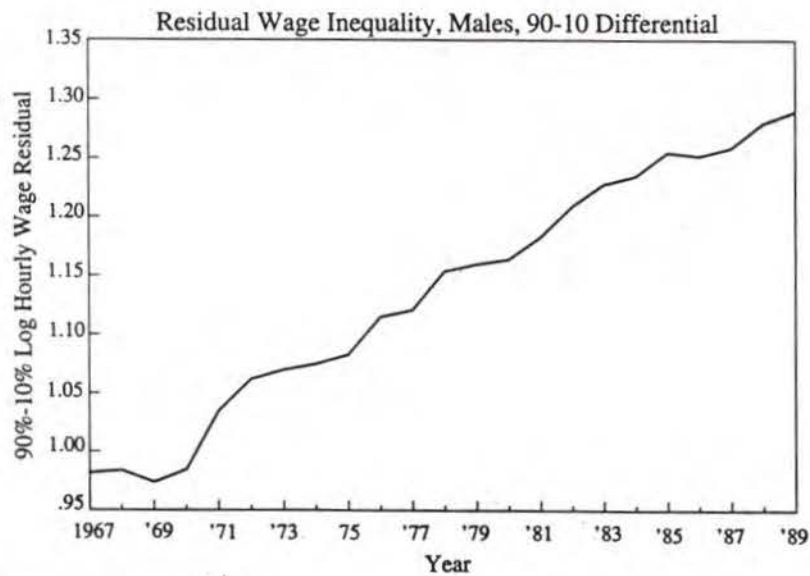
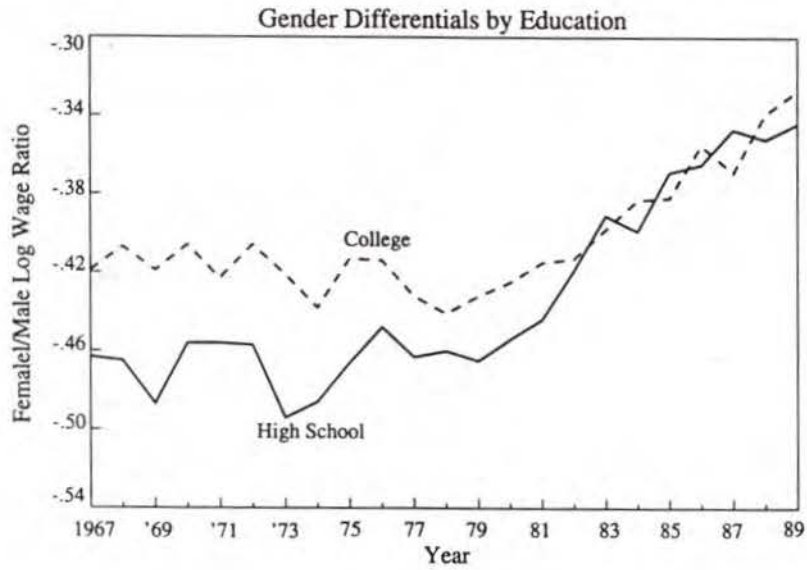


Chart 1
U.S. Relative Hourly Wage Changes, 1967 to 1989
continued



Source: Freeman and Katz (1994)