Table 1
Changes in Educational/Occupational Skill Differentials in Advanced Countries

Countries Which Experienced:	1970s	1980s
A Large Fall in Differentials	Australia Austria Canada Finland France Germany Italy Japan Netherlands Spain Sweden United Kingdom United States	
Modest Changes in Differentials:		
A Modest Fall in Differentials (↓)		Netherlands (↓) Finland (↓)
No Noticeable Change in Differentials (-)		France (-) Germany (-) Italy (-)
A Modest Rise in Differentials (↑)		United States (↑) United Kingdom (↑)
A Large Rise in Differentials:		United States United Kingdom

Sources: Freeman and Katz (1994) and OECD (1993).

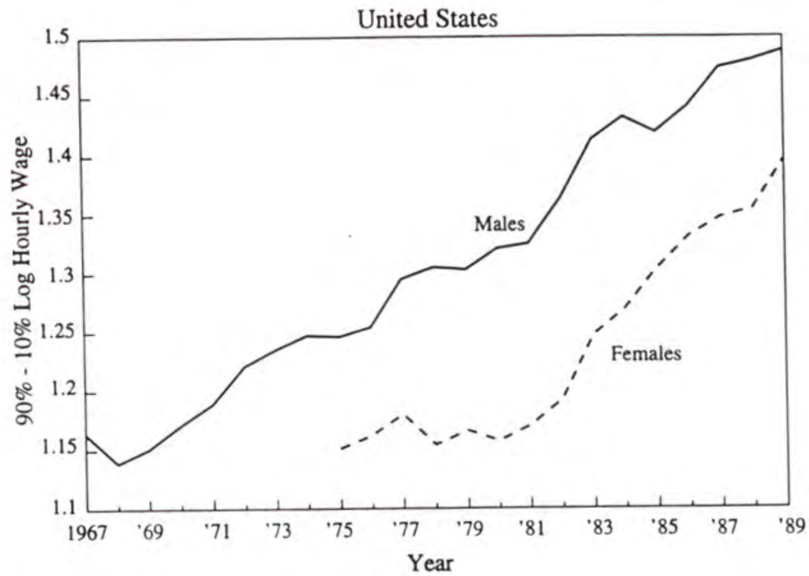
skills tend to alter the wages and employment of different groups in the direction consistent with economists' supply-and-demand market clearing model under a wide variety of wage-setting institutions—individual bargaining, decentralized and centralized collective bargaining, government contract extensions, and minimum wages. But because supply and demand have moved in roughly similar ways in advanced countries, supply and demand factors can't fully explain cross-country variation in changes in wage inequality. Secular changes in demand for skill are unlikely to differ significantly among developed economies since all have access to similar technologies, have quite similar industry and occupation mixes, and operate in the same world markets. Supply changes may show some more divergence because of different rates and timing of expansion of higher education, but a strong trend toward an increased proportion with college training is universal in the OECD.

To fully understand differences in labor market outcomes across countries, institutional factors must be considered. Identical shifts in supply and demand will have different quantitative impacts on wages and employment depending on a nation's wage-setting institutions and norms, training and education system, and social insurance policies. The more prominent is the role of institutions in wage setting, the smaller will be the effect of market shifts on relative wages and the larger the likely effect on relative employment levels. Education and training policies that generate a more egalitarian distribution of skills and more adaptable workforce to changes in skill requirements are likely to weaken the effects of supply and demand shifts on wages and employment. And a system of income maintenance that provides generous benefits to the unemployed for a long duration may also reduce the responsiveness of wages of the unskilled to adverse demand shocks. Changes in institutions themselves can also affect the wage structure. Important institutional changes, such as recent declines in unionization in the United States and United Kingdom, may reflect independent political factors (for example, the emergence and persistence of conservative governments) or simply be the personification of shifting labor market forces.

Understanding the U.S. experience

What roles did supply, demand, and institutional factors play in explaining rising wage inequality in the United States? Most researchers conclude that the major cause of rising wage dispersion and educational wage differentials is a strong secular shift in labor demand favoring more-skilled workers (Bound and Johnson, 1992; Juhn,

Chart 2
Changes in Overall Wage Inequality by Sex



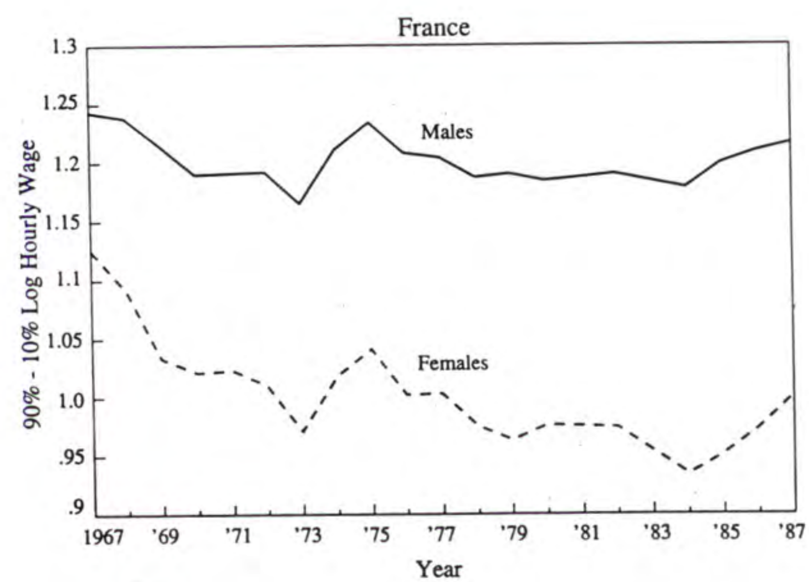
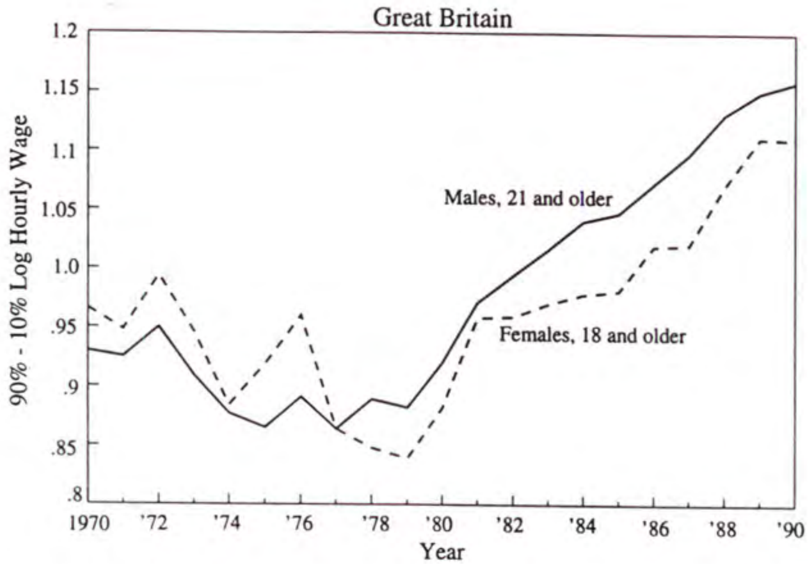
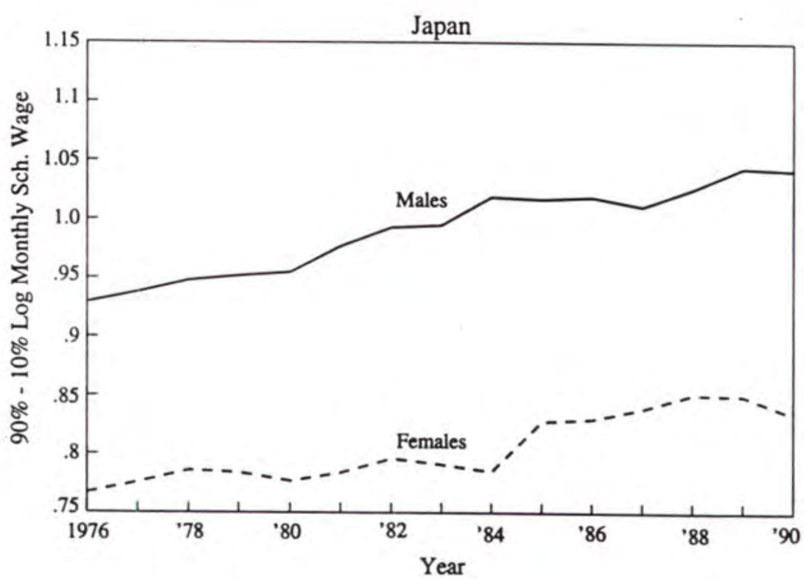


Chart 2
Changes in Overall Wage Inequality by Sex
continued





Murphy and Pierce, 1993; Katz and Murphy, 1992).[2] The industrial and occupational distribution of U.S. employment has been shifting strongly in favor of college graduates and women for many years. Employment has declined in goods-producing sectors that have disproportionately provided high-wage opportunities for blue-collar men and expanded in professional, medical, business, and other services that employ many college graduates and women. The internationalization of the U.S. economy has contributed some to these between industry shifts, but (possibly naive) calculations of the factor content of U.S. trade flows indicate that even the large trade deficits of the 1980s could only explain a modest proportion (5 to 20 percent) of the shift in demand against less-educated workers necessary to be consistent with observed changes in educational wage differentials (Borjas, Freeman, and Katz, 1992). Most of the change in employment structure has occurred inside detailed industries with firms increasing their relative use of more-educated workers. (The vast majority of the increase in educational wage differentials and wage inequality has also occurred within industries.) Within-industry changes in labor demand appear to be strongly related to technological and organizational changes favoring skills and (at least within the manufacturing sector) are positively correlated with investments in computers and research and development (Berman, Bound, and Griliches, 1994). The use of computers spread in the workplace rapidly in the 1980s, and a large and growing computer wage premium was apparent at the end of the decade (Krueger, 1993).

Demand side factors are not the entire story. Demand shifted in favor of more-educated workers in both the 1970s and the 1980s, but educational wage differentials narrowed in the 1970s and expanded dramatically in the 1980s. The supply side of the market helps explain the difference between the two decades. The relative supply of college graduates grew extremely rapidly in the 1970s with the enrollment of baby boomers and incentives from the Vietnam War to enter and remain in college. The rate of growth of relative supply of college graduates declined substantially in the 1980s with the "baby-bust" cohorts and the "apparent" decline in the return to college education in the 1970s. A large influx of immigrants with less than a high school education also contributed to slower growth in the supply of highly educated workers relative to less educated workers in the 1980s

(Borjas, Freeman, and Katz, 1992). A smooth secular shift in demand favoring more educated workers combined with variation in supply growth across decades goes a fair distance to explaining the time pattern of the evolution of U.S. skill differentials from the 1960s to the late 1980s. Nevertheless, some acceleration in the rate of demand shifts against the less-skilled is required to more fully explain the magnitude of the growth of skill differentials in the 1980s. In fact, whether because of the increased use of computers, increased international outsourcing, or other causes, the pace of within-sector relative demand shifts favoring more skilled workers appears to have accelerated in the 1980s (Katz and Murphy, 1992).

Two institutional changes further contributed to rising U.S. wage inequality in the 1980s. The precipitous decline in unionism is estimated to explain as much as one-fifth of the growth in educational wage differentials and wage dispersion among males (Freeman, 1993; Card, 1992). Changes in unionization do not appear to be an important factor in the evolution of the female wage structure. The large decline in the real value of the federal minimum wage from 1981 to 1990 also assisted in rising wage inequality especially for women (Dinardo, Fortin, and Lemieux, 1994). Furthermore, much recent research finds that modest increases in minimum wages at both the state and federal level from historically low levels in the late 1980s and early 1990s were associated with increases in real earnings for low-wage workers, reductions in wage and income inequality, and no detectable adverse employment effects (Card and Krueger, 1994). Thus a minimum wage set at a relatively low level appears to be able to improve earnings at the bottom with little employment cost, but this does not rule out the possibility that substantially higher minimum wages have significant negative employment impacts.

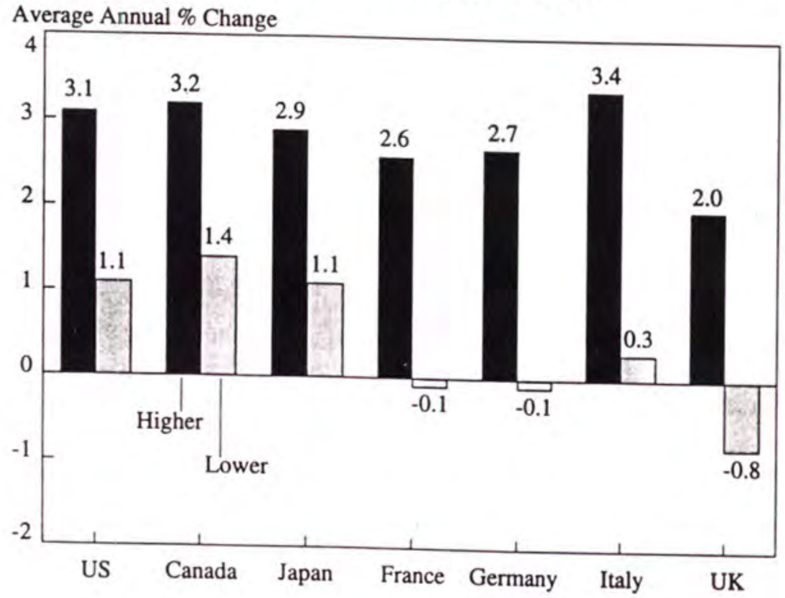
In summary, sizable and somewhat accelerated demand shifts favoring more-educated workers, a reduction in the rate of growth in their supply, and institutional changes all contributed to sharp increases in U.S. wage inequality in the 1980s.

Understanding differences among advanced economies

Why did wage inequality grow by more in the United States than in most other OECD countries? National differences in labor demand factors are unlikely to be the dominant factor in explaining variation among advanced countries in recent changes in the wage structure. Labor demand appears to be shifting rapidly in favor of more-skilled workers both between and within industries and occupations in all OECD nations. Chart 3 illustrates that the industrial distribution of employment has been sharply shifting into sectors that use a greater proportion of more educated workers in all G-7 nations over the past quarter-century.[3] In each G-7 economy, employment grew more rapidly from 1970 to 1993 in more education-intensive sectors than in less education-intensive sectors. More formal demand shift measures also show sharp secular between-industry shifts in labor demand favoring the more-educated and women in countries for which reasonably comparable data are available (Katz, Loveman, and Blanchflower, 1993). But within-sector shifts toward the more-skilled generally appear to be more sizable than the between-industry shifts dominated by the move from goods to services.

But differential changes in the rates of growth of the supply of workers by level of education help explain differences among countries in changes in skill differentials in the 1980s. Rapid expansions of systems of higher education meant that the supply of highly educated workers grew extremely rapidly in all OECD nations in the 1970s. The rapid supply growth appears to have outstripped demand shifts favoring the more skilled and generated narrowing skill differentials in every country. Explicit government and union policies to reduce wage differentials often reinforced these market trends during the 1970s. In the 1980s, the average educational qualifications of workers continued to rise in all countries, but the rate of growth of the college educated workforce decelerated in some nations. A sharp slowdown in supply growth in the United States (in which the share of young men with college degrees actually fell for a period) was associated with large increases in differentials. The continued rapid expansion in Canada helps explain its much more modest increase in educational differential than the United States. Other countries with at least modest increases in skill differentials by the end of the decade—United Kingdom, Sweden, Australia, and Japan—experienced some decline in the rate of growth of the supply of college graduates. Countries whose education differentials did not expand in

Chart 3
Employment Growth by Higher and Lower Educational Attainment Sectors, 1970-1993



Notes: 1970-91 for France, Germany, and the UK. 1977-91 for Italy. Higher educational attainment sectors comprise sectors where 30% or more of full-time workers have college degrees in the United States. The lower sectors have less than 30% of workers with college degrees.

the 1980s—France, Germany, and the Netherlands—essentially maintained their 1970s rate of growth of supply of more educated workers into the 1980s (Freeman and Katz, 1994; OECD, 1993).

Institutional factors translated similar demand and supply shifts into differences in labor market outcomes. The two countries with the largest increases in wage inequality—the United States and the United Kingdom—have quite decentralized wage-setting systems, not very well structured pathways from school-to-work for those not going to college, and experienced significant declines in the influence of unions and minimum wages in wage determination during the 1980s. Countries with greater institutional interventions in wage setting—France, Italy, Sweden—were able to prevent wage inequality from rising during parts of the 1980s. But policies that limit market wage adjustments without directly addressing changes in market conditions through appropriate human capital investments risk stagnant employment growth and persistently high unemployment for young and less-educated workers. While wage-setting institutions can constrain wage-setting over some range, they themselves do not appear immutable to market forces. Shifts in supply and demand that create market pressures for expanded wage differentials are likely to reduce the strength of centralized bargaining (as eventually occurred in Sweden and Italy) and reduce union influence in wage setting (as occurred in many OECD countries).

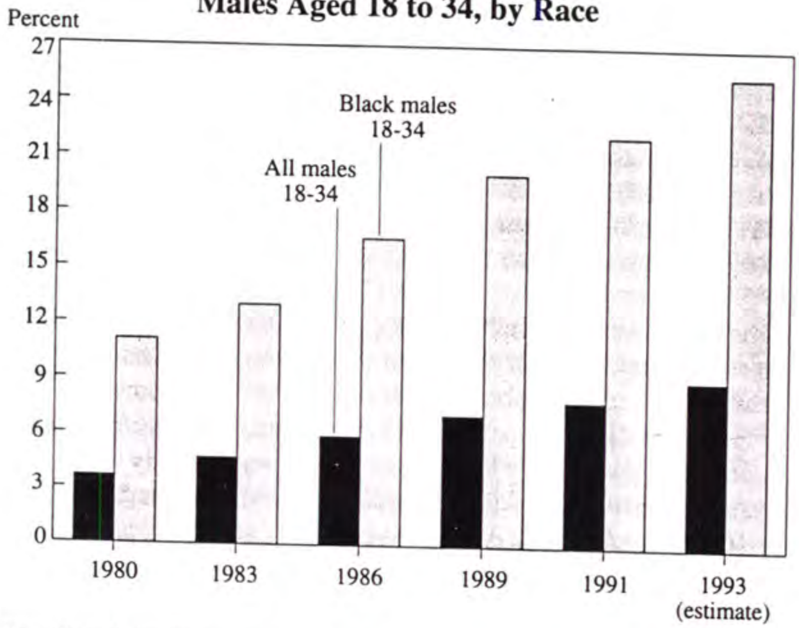
Institutional wage interventions appear to have the potential to be more successful at preventing widening wage inequality if they are combined with effective active labor market policies and education and training systems that invest heavily in the skills of non-college workers. Germany and Japan appeared fairly successful through much of the 1980s in maintaining the earnings and employment of non-college workers with training and education systems in which college and non-college workers appeared to be closer substitutes in production than in the United States. German institutions constrain wage-setting, but they also offer linked apprenticeships that try to make supply consistent with wage policies. The Japanese have succeeded with solid basic education and much informal firm-based training. Nevertheless, both of these economies clearly have run into some difficulties in the early 1990s.

No nation appears to have found an approach to fully escape increased labor market difficulties for less-educated workers. Policies to buffer the earnings of low-wage workers probably need to be combined with efforts to augment their skills and increase hiring incentives. The increasingly dire labor circumstances facing disadvantaged individuals in many OECD nations and the rising social costs of dependency and crime argue for strong efforts to develop such an agenda.

Labor market changes and the disadvantaged

By almost any measure the economic and social well-being of disadvantaged American youths and young adults—those with limited

Chart 4
Criminal Supervision
Males Aged 18 to 34, by Race



Notes: Chart shows the proportion of the given group which is in jail, on parole, or on probation on a typical day of the year.
Source: Unpublished tabulations, Bureau of Justice Statistics; Current Population Survey.

education or skills, from poor families and impoverished neighborhoods, and from minority backgrounds—has deteriorated substantially over the last twenty years. A smaller proportion of young disadvantaged Americans are marrying and forming families than in the past, and those that do are increasingly likely to be poor. In a major departure from historic patterns, the real wages of the young and less-educated plummeted: in the early 1990s, the real hourly pay of recent male high school graduates and young dropouts was more than 20 percent below that of their counterparts twenty years earlier. Increasingly, disadvantaged young men and young women are idle—not in school, not working, and not looking for work. Roughly 50 percent of out-of-school American youth (aged 16 to 24 years old) without a high school degree are currently not employed. As Chart 4 illustrates, the proportion of young men in trouble with the law has increased dramatically.[4] In fact, the number of all U.S. adult males under the supervision of the criminal justice system (those incarcerated, on parole, or on probation) measured as a proportion of the labor force was 6.6 percent in 1993, making it approximately the same as the proportion unemployed (Freeman, 1994). Trouble with the law is sharply concentrated among those from disadvantaged backgrounds without high school degrees. Freeman (1994) concludes in a recent review that much ethnographic evidence and more formal empirical work is consistent with the notion that criminal involvement responds to economic incentives (the returns to legitimate work relative to those from illicit opportunities).

The shift in relative labor demand against less-educated workers has disproportionately adversely affected those from disadvantaged backgrounds. The decline in blue collar jobs and increased importance of one's ability to directly deal with customers in the expanding service economy has particularly harmed disadvantaged minority males. Disadvantaged residents of inner cities, faced with decreasing opportunities for employment in the areas where they live, are often precluded by inadequate transportation, child care, discrimination, and other barriers from obtaining jobs in the suburbs where employment has been growing. And the disadvantaged have been hampered by the absence of effective hiring networks: in impoverished neighborhoods, where few adults hold jobs, the contacts that help people connect with employers are rare.

Economic changes (especially labor demand shifts away from manufacturing and generally weak labor markets throughout much of the last twenty years) may have started the downward cycle for disadvantaged youth, but the resultant joblessness has in turn contributed to a multitude of social changes in urban communities. These social problems—including crime, violence, and drug abuse, the disappearance of middle class role models, and the breakup of the traditional family—have made the labor market problems in inner cities much harder to solve (Wilson, 1987). This problem is not unique to U.S. urban areas. Persistent joblessness associated with industrial decline in the North of England appears to be connected to increased crime, drug use, and violence and a rapidly expanding "underclass" in formerly stable working class areas (Murray, 1990). Similar phenomena are becoming apparent in other high unemployment parts of

Europe (*The Economist,* 1994).

A stronger economy, rapid private sector employment growth, and tighter labor markets are a necessary condition for improving job prospects for disadvantaged groups in America's inner cities and Europe's high unemployment areas, but the extent of the problems and the experience of the boom of the late 1980s suggest economic growth by itself unassisted by policies designed to specifically deal with the labor market barriers facing the disadvantaged (for example, skill mismatch and lack of connections) may not be sufficient to reverse recent trends (Blank and Card, 1993; Cutler and Katz, 1991). The increasing gaps in outcomes between the more and less fortunate associated with the increasing importance of skill may increasingly lead to a "secession of the successful" if adequate steps are not taken to address these problems (Reich, 1991).

The role of active labor market policies

Active labor market policies are measures targeted at the unemployed and disadvantaged (low-wage) workers with the intent of improving the functioning of the labor market. Such policies can be sorted into three broad categories: (1) supply-side policies that invest in education and training to upgrade the skills of the target groups; (2) demand-side policies that attempt to stimulate employment increases through direct job creation in form of public sector employment or the subsidization of private sector jobs; and (3) policies such as improved labor market information and job search assistance that attempt to enhance the efficiency of the process of matching job seekers with job openings. While the supply, demand, and matching functions are important analytical distinctions, they are sometimes blurred in practice. Successful programs often do all three: combining training in the classroom and on the job, the use of subsidies to encourage employers to provide jobs and training slots, and the matching of participants with openings.

Active labor market policies potentially have a role to play in achieving two important outcomes. The first is a reduction in structural and frictional unemployment so that the economy can operate at a lower unemployment rate without igniting inflationary pressures. The second is improvements in the earnings and employment rates of the targeted groups. Much recent research has provided assessments of both the macroeconomic and microeconomic effects of active labor market policies.[5] In this section I provide an interpretation of this evidence and of the lessons for the design of more-effective policies.

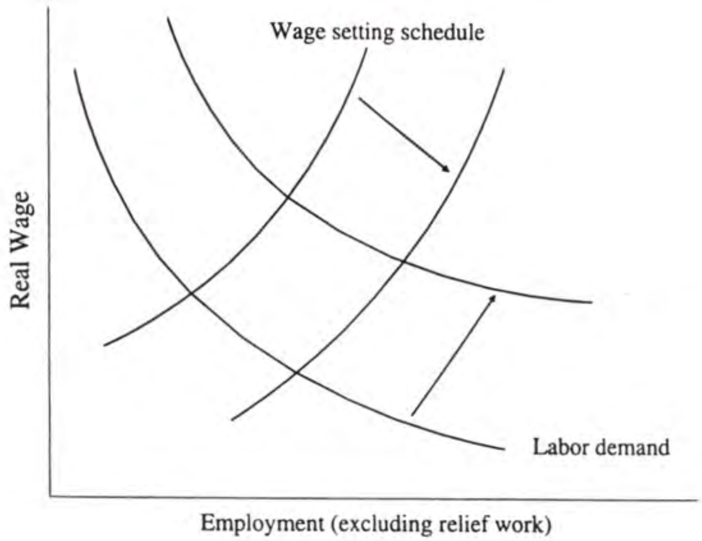
Macroeconomic effects of active labor market policies

Layard, Nickell, and Jackman (1991), OECD (1993), and Calmfors (1994) have developed a fairly straightforward analytical framework for sorting out the aggregate labor market impacts of active labor market policies. This approach is illustrated by the two diagrams in Figure 1. The upward sloping curve in Panel A represents a wage-setting schedule indicating that higher aggregate employment causes pressure for higher real wages. Such a schedule can be derived from efficiency wage models (higher wages are required to optimally extract effort, recruit workers, and manage turnover when unemployment is lower), and bargaining models (unions and insiders are less constrained in wage demands in a tighter labor market), or it can be interpreted as a standard upward sloping labor supply curve. The downward sloping curve is a standard labor demand schedule. The intersection of the two represents the equilibrium employment and real wage levels. The employment level in Panel A is assumed to exclude those currently participating in active labor market programs (so that one needs to add those in subsidized employment to get total employment). Panel B presents a Beveridge-curve relationship between vacancies and total job seekers (the unemployed plus those in labor market programs not counted among the unemployed) reflecting the efficiency of the matching process in the labor market.

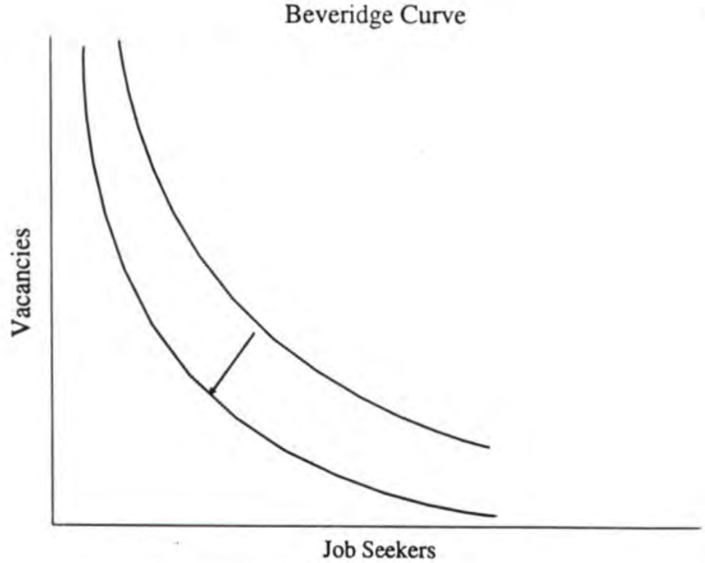
Policies that improve the efficiency of the matching process in the labor market—through better labor market information, job search and placement assistance, other incentives to increase the search intensity of job seekers, and training or work-experience schemes to raise the skills of job seekers and/or otherwise increase their attractiveness to employers—serve to shift the Beveridge curve inward in Panel B of Figure 1. This is likely to shift to the right both the labor demand and wage-setting schedules in Panel A. With vacancies filled

Figure 1

The Effects of Active Labor Market Policies
on Labor Market Equilibrium



Beveridge Curve

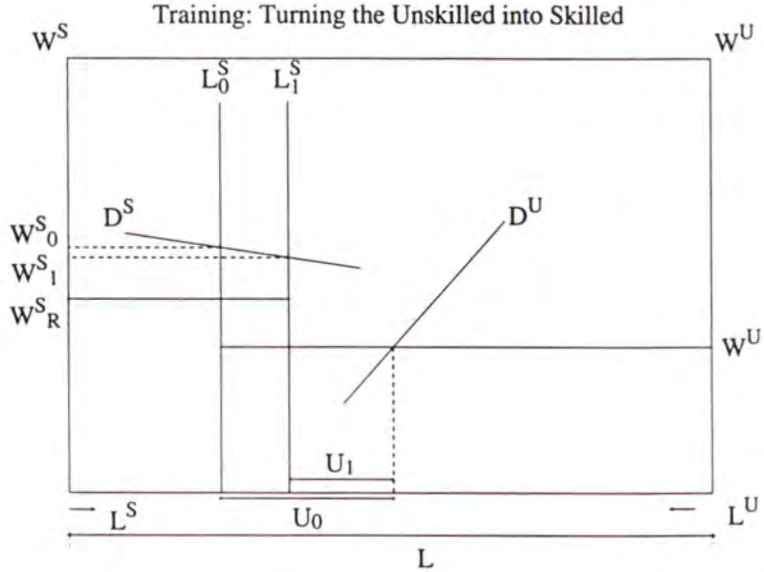


more quickly, they become less costly for employers, and more vacancies are opened leading to an increase in labor demand. Increased search effectiveness of job seekers puts downward pressure on the wage demands of insiders tending to shift the wage-setting schedule downward. Both effects serve to expand employment. Job search and placement assistance programs are likely to have such unambiguously positive effects on regular (non-subsidized employment), but training and direct job creation approaches may also have some effect in the opposite direction by reducing search intensity during program participation. But training and subsidized employment policies by increasing the productivity of the workforce may generate further outward (rightward) shifts in the aggregate labor demand schedule.

Job creation policies in the public and private sector will directly reduce open unemployment and expand total employment. But such approaches may also reduce regular employment through substitution (or displacement) effects in which employers replace unsubsidized employees with subsidized employees. This indirect effect represents a leftward shift in the labor demand schedule in Panel A of Figure 1. Thus there exists a tension between creating jobs that provide work experience similar to regular jobs (which raises the likelihood of substitution effects) and targeting job creation to productive activities unlikely to be undertaken without a subsidy (which may reduce the transferability of the acquired skills). Much existing research finds significant displacement effects ranging from 40 to 90 percent for subsidized private sector jobs and 30 to 70 percent for public sector creation (Calmfors, 1994; Forslund and Krueger, 1994), but the endogeneity of direct job creation efforts to economic conditions raises questions concerning the interpretation of the existing evidence. Furthermore, job creation schemes with significant substitution effects could still be cost-effective investments if they substantially raise the future earnings of assisted workers and if those who are not hired into specific jobs because of substitution effects have stronger labor market prospects than the program participants. Additionally, the evidence from improvements over time in the net job-creation impact of the U.S. Comprehensive Employment and Training Act (CETA) public service employment in the late 1970s with tighter program eligibility criteria and project oversight (Adams, Cook, and Maurice, 1983) and from the U.S. summer jobs program for disadvan-

Figure 2

Training: Turning the Unskilled into Skilled



taged youth (Crane and Ellwood, 1984) suggests that direct job creation schemes generating temporary slots for those facing weak labor markets may be able to expand employment for the targeted group with only minor substitution effects.

An important motivation for active labor market policies based on training is to move labor out of the declining, slack labor market for "unskilled" labor into the expanding market for "skilled" labor. The two sector model presented in Figure 2 illustrates this effect. The fixed total labor force is divided into the skilled and unskilled sectors. The reservation wage for skilled workers (the self-employment, illicit opportunities, or transfer benefits option) is assumed to be higher for the skilled than for the unskilled. The wage-setting (or supply) schedule in each sector is horizontal with unemployment and becomes vertical at full employment. Strong labor demand is apparent in the skilled sector and weak labor demand and unemployment in the unskilled sector. A training program that transforms unskilled workers into skilled workers shifts the supply of skilled workers to the right, expanding employment in the skilled sector and reducing unemployment in the unskilled sector. Such a training policy increases the aggregate employment rate, narrows the earnings gap between more and less skilled workers, increases the employment rate of the remaining unskilled workers, and potentially reduces inflationary pressure emanating from the expanding part of the labor market. These qualitative conclusions will hold under less extreme wage-setting assumptions (Calmfors, 1994). But the effects are likely to be diminished when high unemployment is also present in the high-skill labor market. These results also depend on training and education policies being effective at improving the skills and earnings capacities of program participants.

The existing macroeconomic empirical research on the effects of active labor market policies (public expenditures on training, special youth measures, direct job creation, and public employment services) on wage setting and unemployment yields fairly ambiguous results, and the studies use methodologies (identifying assumptions) that are not particularly convincing. A nineteen-country Phillips-curve analysis by the OECD (1993) provides some evidence that higher expenditures on active programs may help macroeconomic performance by facilitating wage moderation. But Calmfors (1994) concludes that shifts from open unemployment to program participation in Sweden have been associated with increased wage pressure in Sweden. Sweden's maintenance of low unemployment in the 1980s has often been viewed as testament to the efficacy of active labor market polices, and its sharp increase in unemployment in the 1990s is now sometimes interpreted as showing the ineffectiveness of such policy efforts. In a similar spirit cross-country research for the OECD finds a negative relationship between a nation's active labor market expenditures and its unemployment rate in the 1980s (Layard, Jackman, and Nickell, 1991) and a positive (but statistically insignificant relationship) for the same specification with almost the same sample of countries in 1993 (Forslund and Krueger, 1993). The result for the 1993 study may largely reflect the deep recession in Sweden, but it does indicate the fragility of findings from this cross-country, cross-section approach. Finally, a pooled time-series analysis of aggregate data from Austria, France, Germany, Great Britain, Sweden, and the United States by

Kraft (1994) finds a positive impact on employment of active labor market expenditures per labor force participant and a negative impact on employment of passive labor market expenditures per unemployed person.

Research using national aggregate data on the macroeconomic effects of active labor market polices provides suggestive evidence of modest favorable impacts on the operation of the labor market. This research does not provide information on the impacts of such programs on the targeted groups (unemployed and disadvantaged workers). Nor does it address the issue of the role of overall human capital investments on aggregate labor market outcomes.

Re-employment policies to assist displaced workers

Public spending on the unemployed in most OECD nations has been dominated for some time by passive income maintenance measures. But a consensus appears to be emerging around the idea that most OECD nations need to shift the focus of labor market policies for the unemployed from passive income support to more active interventions to facilitate re-employment (OECD, 1994). This raises the question of how effective are active re-employment services at moving the unemployed into new jobs and improving their earnings? Several results that may assist in the development of re-employment systems are available from recent microeconomic evaluation studies of programs providing employment services to job losers.

A quite robust finding across studies is that job search assistance appears to be a cost-effective method for reducing the duration of unemployment. A recent series of random assignment experiments in five U.S. states—Minnesota, Nevada, New Jersey, South Carolina, and Washington—has examined the effectiveness of job search assistance in reducing unemployment for unemployment insurance (UI) recipients (Meyer, 1992; U.S. Department of Labor, 1994a). Job search assistance clients found a new job more quickly, and receipt of unemployment benefits was reduced in all five demonstrations. Those receiving job search assistance found new employment an average of one-half of a week to four weeks sooner than similar individuals who did not receive assistance. And more rapid re-employment did not come at the expense of lower wages. In each state experiment the savings in UI payments plus the increase in tax receipts due to faster re-employment were more than enough to pay for program costs. In the United States, job search assistance has also proven effective in increasing the earnings and employment of Aid to Families with Dependent Children (AFDC) recipients. Studies in Canada, the Netherlands, and the United Kingdom have also found favorable results from individual counseling targeted at individuals likely to have difficulty finding jobs (OECD, 1993). Job search assistance and counseling appear to be most effective when individual needs are assessed and services provided as soon as possible after the beginning of an unemployment spell.

~~A second finding~~ is that alternative uses of UI funds can be a useful part of a re-employment system. For example, self-employment programs allow unemployed workers the option of starting a small business as an alternative to looking for wage and salary work. Unemployed workers are given training and assistance in setting up their business, and their UI payments are used as support while they do so. Two recent (random assignment) demonstrations in Massachusetts and Washington have relaxed UI rules to provide more help to unemployed workers who are interested in starting their own businesses. Self-employment is not for everyone; when offered the opportunity only 2 to 5 percent of UI recipients choose to avail themselves of a self-employment option. This group tends to be more highly educated and have higher previous earnings than typical UI recipients. The results of the two U.S. demonstrations indicate that these self-employment assistance programs significantly increased unemployed workers' chances of starting a successful new business (businesses started by recipients were no more likely to fail in the eighteen-month follow-up period than those of the control group), increased the total amount of time spent employed (either in self-employment or wage-and-salary employment) by program participants, and increased their earnings (Benus and others, 1993). Re-employment bonus programs in several U.S. demonstrations have also been found to accelerate the return of UI recipients to work, although their design raises some questions concerning displacement effects and overall cost effectiveness (Bassi, 1994).

Evidence on the effectiveness of retraining for displaced workers is somewhat ambiguous. Evaluations of several U.S. displaced worker demonstration projects show little impact of short-term skills training on subsequent earnings and employment over relatively short follow-up periods (Leigh, 1990). But some of the evaluated programs were temporary demonstrations that had difficulties finding training providers capable of putting together high-quality, short-duration training courses on short notice. Training services provided in a more stable and institutionalized system with stronger links to employers are likely to be more effective.

A few key lessons for moving from a passive unemployment system to an active re-employment system can be drawn from the evaluation research. First, early intervention and provision of services is a key to successful programs. The best approach to dealing with long-term unemployment is to prevent it in the first place. Second, job search assistance is quite effective and ought to be used as soon as possible in an unemployment spell for those who are job ready. Third, alternative uses of unemployment insurance (self-employment assistance and wage subsidies/re-employment bonuses) can pay off (at least if used selectively) and ought to be part of the policy portfolio. Fourth, not all displaced workers require training services. Many (probably most) displaced workers (those with marketable skills) really want and can be best helped by job search assistance, counseling, up-to-date labor market information, and flexibility in the use of UI benefits. Rapid re-employment also facilitates the receipt of market-driven, high payoff, on-the-job training attached to an actual job. Fifth, training services can be beneficial and should be available to those displaced workers who lack marketable skills and face difficult re-employment prospects. Retraining is likely to be most effective if it is delivered by a stable training provider with strong links to employers. Sixth, unemployment benefits and re-employment services need to be tightly coordinated. Long-term income support for those that are employable should be conditioned on the recipient taking active steps to gain employment (including skill upgrading activities). Seventh, targeted job creation measures (either in the public sector or through wage subsidies) can play a role in moving the long-term unemployed back to work. The movement from a passive system of income support to a re-employment system that acts as an active springboard to new jobs can improve the operation of the labor market and potentially allow for economies to operate at higher employment rates without igniting inflation worries.

The role of human capital investments

Recent sharp increases in the labor market returns to skill in advanced industrial nations have led many to argue that increased investments in human capital (particularly in those from disadvantaged backgrounds and those without college degrees) are a key component of a strategy to improve national economic performance and make progress on the jobs problem (for example, Reich, 1991). In fact, the burgeoning literature attempting to explain cross-country differences in economic growth rates (for samples that are typically much broader than the OECD) has consistently found that countries that invest more in human capital (as measured by either enrollment rates or educational attainment of the adult population) subsequently experience more rapid rates of growth in per capita income than other countries conditional on initial levels of per capita income and indicators of political stability (Barro, 1992). Increased educational investments appear to have a direct effect on growth even conditional on a nation's fertility rate and rate of investment in physical capital. This direct effect may partially reflect an enhanced ability of a more educated labor force both to innovate and to adopt new technologies and organizational improvements. Increases in national educational attainment also appear to enhance growth through an association with increased physical capital investment and lower fertility rates (which may imply greater investments in child "quality"). Furthermore, broad-based expansions in education not only appear to lead to faster growth but also are strongly associated with a more equitable distribution of the benefits of economic growth (Londoño, 1990; Birdsall and Sabot, 1994). Thus the broad sweep of postwar comparative economic development appears to be strongly consistent with the hypothesis that human capital investments are integral to growth with equity. But human capital investments will have the greatest payoff when balanced with investments in research and development and infrastructure in an environment conducive to private sector entrepreneurial activity and investments in physical capital.

Critics of a perceived overemphasis on human capital investments to deal with growing labor market problems for the less-skilled argue that such investments take a long time to pay off and that the amount of additional investment needed to offset shifts in the labor market in the 1980s are likely to be extremely large. Heckman, Roselius, and Smith (1993) estimate that the aggregate investment required to entirely offset the 1980s expansion in the college/noncollege earnings gap for the adult U.S. population would be well over $1 trillion. While this is quite a large amount relative to the likely amount of federal expenditures available for increased direct public training and education investments in the near future, one ~~must remember that much educa-~~tional investment involves private opportunity costs and that the U.S. stock of education capital is huge—estimated to be over $26 trillion in 1993 and to have grown by approximately $10 trillion over the last decade by the U.S. Office of Management and Budget (1994). Increased public investments in human capital make sense if they have a high return. But increased human capital investments alone are unlikely to be sufficient to fully reverse the last decade's growth in the earnings gap in the short to medium term. Greater human capital investments need to be strongly complemented by other policies to augment the earnings of the less-educated and disadvantaged.

Market incentives for increased individual educational investments appear to be playing some role in helping to alleviate growing inequality in the United States. The large increase in the college wage premium in the 1980s has been associated with a large increase in college enrollment rates from 49 percent of high school graduates in 1980 to more than 60 percent in the early 1990s despite rapidly rising ~~tuition costs~~ (U.S. Department of Education, 1993). This large change will likely act to accelerate the rate of growth of the college graduate workforce over the rest of the decade, although the small size of the cohort currently entering the labor market operates in the opposite direction. An increased supply of graduates will somewhat offset demand increases favoring the more educated and help to reduce the rate of growth of educational earnings differentials. A decline in the proportion of workers without college degrees also is likely to operate to lower downward pressure on the earnings of the less educated.

More rapid expansions in the supply of more educated workers appear to serve to narrow earnings differentials and improve the labor market position of the less-educated. This conclusion is consistent with the cross-country evidence that those countries that maintained their rate of relative supply expansion of the 1970s into the 1980s are the ones that experienced the smallest increases in wage inequality. It is also implied by many national time-series studies (for the United States, Britain, Sweden, South Korea, Canada, and the Netherlands) that have found an inverse relationship between changes in the rate of increase in the supply of more-educated relative to less-educated workers and changes in the pay advantage of the more educated (Freeman and Katz, 1994). Holding constant measures of trend growth in labor demand, a 10 percent increase in the growth of the relative supply of the more educated has been associated with a 3 to 7 percent narrowing of the pay gap in a variety of countries.[6]

Recent empirical microeconomic research on the returns to education strongly suggests that the returns to increasing the educational attainment of those from disadvantaged family backgrounds are likely to be particularly high. A voluminous literature exists documenting a strong relationship between years of schooling and earnings. Typical recent U.S. cross-section, ordinary least squares (OLS) estimates indicate a 6 to 10 percent earnings gain for each additional year of schooling. But OLS estimates may provide an inaccurate guide to the true average return to schooling because of ability bias (those who get schooling may be unobservably more able than those getting less schooling) and measurement error in schooling variables.

Much new research has attempted to estimate the returns to education through the use of variation in education generated by "credible natural experiments" (or policy interventions) such as compulsory schooling laws (Angrist and Krueger, 1991) and geographic distance to two- and four-year colleges (Kane and Rouse, 1993; Card, 1993). The basic idea is that these natural experiments generate variation in education that can plausibly be argued to be uncorrelated with innate ability. For example, college proximity affects the likelihood that individuals from disadvantaged backgrounds go on to higher education but does not appear to be related to unmeasured determinants of earnings after conditioning on controls for demographics and family background (Card, 1993). The consistent finding in this literature is that instrumental variables estimates of the return to schooling based on such policy interventions are quite high and tend to exceed the corresponding OLS estimates for the same samples (Card, 1994). While these estimates probably can't be interpreted as average returns to education for the entire population, they do represent plausibly accurate estimates of the returns to education for those individuals (primarily from relatively disadvantaged family backgrounds) whose schooling choices are affected by these interventions (that is, those more likely to get more education when a college is more geographically accessible or when the compulsory schooling age is increased). But this is exactly the type of information policymakers need to assess the returns to expanding the accessibility of further education. The conclusion is that the relatively low levels of educational attainment of those growing up in low-income families do not appear (at least on the margin) to reflect low returns to such investments, but partially result from barriers to further education (financing constraints, lack of information on the appropriate course of study, actions to prepare for college, and so on).

Policies to increase the years of schooling at mainstream educational institutions (high schools, community colleges, and universities) for the disadvantaged appear to have a high payoff. Card's (1994) recent survey of the literature suggests that an additional year of schooling increases the future earnings of those from disadvantaged families by approximately 8 percent to 13 percent a year. The college enrollment decisions of those from low-income families also appear to be somewhat sensitive to the direct college costs (Kane, 1992). Thus increased financial assistance for higher education targeted at the disadvantaged appears to be a good investment. These high returns to schooling indicate that interventions to reduce high school dropout rates are quite important (as are steps to generally improve academic achievements in primary and secondary school). This raises the question of how effective are dropout prevention policies and second chance programs to assist disadvantaged youth and adults.

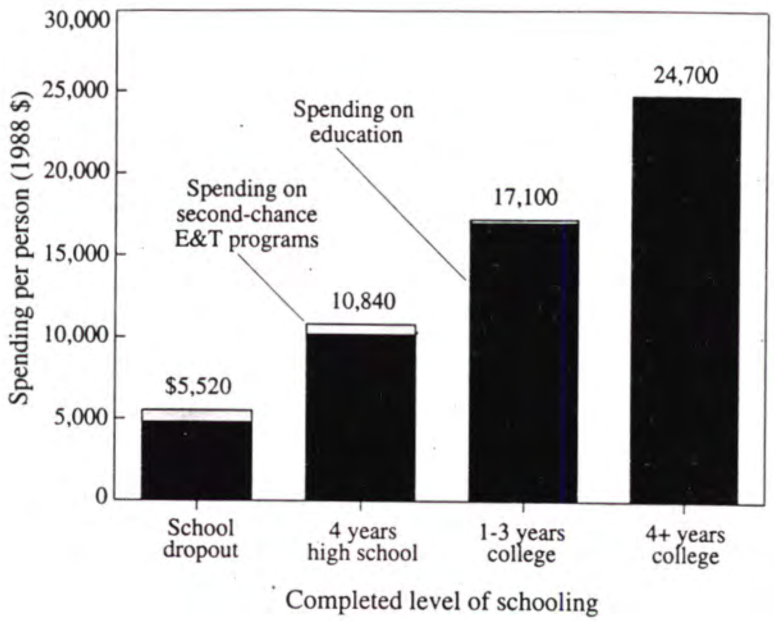
The effectiveness of training and employment services for the disadvantaged

Since launching a War on Poverty in 1964, the U.S. federal government has funded a substantial number of programs to provide training and employment opportunities to disadvantaged individuals. While significant gains were observed in the tight labor markets of the 1960s, the labor market outcomes for the disadvantaged have clearly deteriorated in terms of both employment and wages in the slower growing economy of the past two decades or so. There are two broad explanations for why, despite these government efforts, there has been essentially no improvement in aggregate labor market outcomes for disadvantaged workers: (1) the scale of employment and training programs for the disadvantaged has been too small to make much of an aggregate difference, even when the programs generate rates of return similar to other human capital investments, especially given a strong secular shift in the labor market against the less-skilled; and (2) the programs themselves may not have been very effective either because of their design or implementation. The first explanation clearly is quite important, and the second probably has some validity.

The roughly $4.5 billion a year that the U.S. Department of Labor spends on employment and training programs for the disadvantaged (through the Job Training Partnership Act (JTPA) and the employment service) is fairly small in relation to the size of the population in need. Of the 25 million persons aged 16 to 55 who are eligible for these targeted programs, about 700,000 (or 3 percent) of them are served each year in training programs (excluding the summer jobs program). Many of the training programs provide only modest levels of investments lasting for a short duration. The major second-chance program for disadvantaged out-of-school youth and adults typically lasts less than six months and involves approximately $3,000 in total direct expenditures per participant. Such investments have the potential to make a positive impact on participants' labor market prospects, but they do not appear substantial enough on their own even with a high rate of return to generate the quantum differences in earnings capacity required to move those with low initial earnings into the "middle class."

Chart 5 illustrates that there exists a great disparity in the United States between public investment in the education of youth who go on to college versus those who do not. On average, the public invests roughly $5,000 in total between ages 16 and 24 educating a youth who drops out of school, compared to $25,000 educating a youth who

Chart 5
Cumulative Public Spending per Person Aged 16-24 on Education and Training (Excl. Tax Subsidies to Firms)



Source: U.S. General Accounting Office, "Training Strategies: Preparing Noncollege Youth for Employment in the U.S. and Foreign Countries" (May 1990), p. 24.

graduates from college. This disparity is magnified if the money parents spend on their children's education is included. Those from disadvantaged backgrounds are disproportionately represented in the dropout category. (Actually, U.S. taxpayers eventually do devote a large amount of resources on youth who drop out of school or do not go on to college—in the form of income transfers, food stamps, Medicaid, public housing, and rapidly increasing criminal justice costs.) In the United States, less-educated workers also receive less formal training on the job than college graduates (Bowers and Swaim, 1994).[7] In contrast, much more post-secondary training appears to be provided to those that don't go to college in other nations with strong school-to-work transitions and employer-training traditions such as Germany and Japan (Baily, Burtless, and Litan, 1993). These differences may play some role (along with wage-setting institutions) in the much larger educational earnings gap in the United States than in other advanced nations.

The next issue is that of the effectiveness of employment and training programs targeted at disadvantaged youth and adults. Do second chance programs for the disadvantaged significantly improve their future employment and earnings? Are there interventions that prevent disadvantaged youth from dropping out of high school given the apparent very high returns to schooling for this group?

A large literature has developed providing careful microeconomic evaluations of the impacts of U.S. training and employment programs on labor market and other socioeconomic outcomes of economically disadvantaged individuals.[8] The core question asked by evaluators is fairly straightforward: How different are the participants' outcomes (earnings) following entry into the program from the outcomes (earnings) that they would have experienced had they not participated in the program? But this question is often difficult to answer persuasively or precisely in practice. The assessment of program impacts requires the comparison of the outcomes of program participants to those of a similar group of individuals who did not participate. The most compelling evidence on program effectiveness comes from evaluations using a true experimental design in which eligible individuals are randomly assigned into a treatment group that receives program services and a control group that receives no services.[9] In this case, the simple difference between the treatments' and controls' mean earnings presents an unbiased estimate of the program's earnings impact. While a growing number of programs and demonstrations have received experimental evaluations using random assignment, program evaluators often must use nonexperimental methods to adjust for differences in the outcomes (earnings) between treatment and control groups that would have occurred even in the absence of the treatment group's program participation. The results of such nonexperimental studies are often quite sensitive to how the comparison group is chosen and to the specification of the earnings and program participation equations.[10] I focus my summary of the evidence on evaluations using random assignment or fairly convincing nonexperimental approaches.[11]

Table 2
Summaries of Selected Evaluations of Programs for Out-of-School Youth

Program	Description	Sample Size and Follow-Up Period	Evaluation	Earnings/Employment Impacts	Comments/Sources
Center for Employment and Training (CET)	CET provides vocational instruction and job placement. CET students receive four to six months of intensive training in vocational skills, with classes taught by instructors from industry. Basic skills instruction is integrated into the vocational classes. Training is followed by job placement assistance. The program was evaluated in the late 1980s.	Four-year folow-up. 167 persons, divided between experimentals and controls.	Random assignment (regression adjusted).	Total over first four years after program enrollment: $7,342*** (33%). Total over third and fourth years after program enrollment: $6,547*** (53%).	In an independent random assignment experiment, CET also produced large and significant earnings gains for single mothers. Source: Cave and others (1993)
Comprehensive Employment Training Act (CETA)	Major federal training program of 1975-1980 served hundreds of thousands of youth each year. CETA services included public service employment, work experience, classroom training, and on-the-job training.	About 2,600 youth tracked for 2 years after program graduation.	Matched comparison group drawn from the CPS.	Generally, no significant earnings impacts for both male and female youth. But there exists considerable variation across specifications and samples in the estimated effects.	The wide range of nonexperimental estimates leave much uncertainty concerning the effectiveness of CETA for youth. Sources: Barnow (1987), LaLonde (1992)

Table 2 (Continued)

Program	Description	Sample Size and Follow-Up Period	Evaluation	Earnings/Employment Impacts	Comments/Sources
JOBSTART	JOBSTART provided vocational training, basic education, and job placement to high school dropouts with low reading skills at 13 different sites. Average duration in the program was 7 months, and attendance was part-time. The experiment took place between 1985 and 1988.	Four-year follow-up. 988 experimentals; 933 controls.	Random assignment.	Total over first 4 years after entry: $214 (1%) 4th year after entry: Whole sample: $410 (8%) Men with previous arrest: $1,560** (37%)	Significant reduction in arrest rates - from 12.6% for controls to 10.1% for experimentals - during program period. But by the 4th year, arrest rates were equal for experimentals and controls. Significant increase in GED attainment.
Job Training Partnership Act (JTPA)	JTPA is the federal government's major training program for disadvantaged youth. JTPA provides on-the-job training, classroom training, and job search assistance. In this experiment, youth received an average of about 420 hours of services (except for male youth arrestees, who received 320). The experiment was conducted in 1987-89.	30-month follow-up. Total of 4,777 youth (treatment and control groups combined).	Random assignment. Assignment took place after clients selected alternate service strategies.	Total over 30 months after enrollment: Female youth: $230 (1%) Male youth non-arrestees: $960 (-5%) Male youth arrestees: $7 (0%) Female youth, classroom training: $930 (9%)	Significant increase in GED attainment for female youth. Youth received only 127 (male youth arrestees) to 182 (female youth) more service hours than the control group.

Table 2 (Continued)

Program	Description	Sample Size and Follow-Up	Evaluation	Earnings/Employment Impacts	Comments/Sources
Job Corps	The Job Corps is a residential program that provides intensive skills training, basic education, support services, and job placement to youth aged 16 to 21. Some 80% of enrollees are high school dropouts, and 75% have never held a job. The program takes about 1 year to complete, but one-third of the students drop out within 3 months. The program was evaluated in the late 1970s, but a new random assignment evaluation is being implemented.	Four-year follow-up. Baseline: 4,334 program participants, 1,457 comparison group members. Fourth-year follow-up: 2,791 participants and 1,118 comparison group members responded to survey.	Matched comparison group design. Extensive regression adjustment.	Average over first 4 years after program exit: $1.350 per year** (15%). Fourth year after program exit: $1,400**. Earnings impacts varied depending on specification of regression model, but were alwasys positive and significant. Significant employment increase of three weeks per year.	Significant reduction in serious (felony) crime. Over a participant's lifetime, estimated social benefits are $1.46 per dollar invested. Largeincreases in educational attainment. Source: Mallar and others, (1982).
Supported Work	Supported work provided about 12-15 months of full-time employment in closely supervised work to high school dropouts aged 17 to 20. About 75% of enrollees were male, 96% were minority, and 50% had criminal records. Job searcch assistance was provided at the end of the employment period. It operated from 1975 to1979.	924 youth followed for 18 months; 506 youth followed 27 months; 155 followed 36 months. Half controls, half experimentals.	Random assignment. Results regression-adjusted.	(Time after entry) Months 1 to 9: $4,700*** (183%) Months 10 to 18: $640 (15%) Months 19 to 27: $410 (8%) Months 28 to 36: - $860 (-12%)	Essentially no significant effects on arrests, even during program employment period. Source: MDRC (1980).

**Significant at 5 percent level

***Significant at 1 percent level.

Earnings are presented in approximate 1993 dollars (using the CPI-X1) except for extimates from CET and JOBSTART which are in current dollars from the late 1980s.

Disadvantaged out-of-school youth. It has proven difficult to improve the labor market prospects of youth who drop out of high school, but some successes have been uncovered. Table 2 provides a summary of the results from selected U.S. programs for out-of-school youth (from ages 16 to 21). Subsidized work experience for disadvantaged youth has produced substantial gains in earnings and employment during the period of subsidized employment, but longer-term, post-program effects on employment and earnings typically have not been observed. Furthermore, evaluations of the major U.S. government programs offering relatively short-term skills training (lasting three to six months) to disadvantaged out-of-school youth—youth programs under CETA in the 1970s and under Title II of the JTPA which replaced CETA in the 1980s—indicate that they have not succeeded in significantly raising the employment or earnings of youth participants relative to comparison groups of youths.[12] The Job Corps program, which, in contrast, offers intensive services in a residential setting and takes about a year to complete, appears to have much success in improving the future earnings of participants and reducing their involvement in serious crime.

JOBSTART was an attempt to replicate the successes of the Job Corps in serving severely disadvantaged high school dropouts, but in a less-intensive, nonresidential setting. JOBSTART proved successful in raising the educational attainment of participants, as measured by GEDs (high school equivalency certificates) and vocational licenses, but these educational improvements did not translate into significant earnings gains in the first four years following entry into the program.[13] But the JOBSTART demonstration did have a bright spot in the impressive performance of one of the thirteen sites—the Center for Employment Training (CET) in San Jose, California. Youth at the San Jose CET site showed sustained annual earnings gains of over $3,000 translating into a 40 percent earnings increase in the third and fourth years after entry into the program. CET produced similar large and persistent earnings increases for disadvantaged single mothers in an independent random assignment evaluation of the Minority Single Parent Demonstration (Mathematica Policy Research, 1993). CET is marked by an emphasis on vocational skills training, in which basic academics and vocational instruction are closely intertwined. The program has also forged very close connections to the local labor

Table 3
Summaries of Selected Evaluations of Programs for In-School Youth

Program	Description	Evaluation	Impacts	Comments/Source
Quantum Opportunities Project (QUOP)	This program was managed by community organizations. It provided extensive academic assistance, college/career planning, and adult mentors to randomly selected (mostly minority) students from AFDC families in poor areas. Services were provided throughout high school, beginning in the ninth grade. The typical student received 1,300 hours of service at a total cost of $10,600 over four years.	A random assignment evaluation with 200 participants (100 students and 100 controls) at four sites.	After 4½ years: High school dropout rate was cut from 50% for the control group to 23% for QUOP students. Participation in post-secondary education increased from 16% for the control group to 42% for QUOP participants.	Results varied greatly by site. The aggregate results on dropout rates and post-secondary education are highly statistically significant. At a fifth site, program implementation failed and the program had to be cancelled. Source: Hahn (1994).
Summer Training and Equipment Program (STEP)	STEP offered remedial academic education and summer jobs to disadvantaged youth aged 14 to 15. The program lasted 2 summers; participants received 110 hours of classes and 90 hours of work experience each summer.	Random assignment.	Short-term academic improvements were large and significant. Long term, there were no effects on high school graduation or employment	Source: Grossman and Sipe (1992).
Vocational Education and Dropout Prevention Demonstrations	Five high school dropout prevention programs offered vocational training, tutoring, and career counseling to at-risk students. The demonstrations were sponsored by the U.S. Dept. of Education. The reported findings are preliminary and based on a draft report that has not been approved by the U.S. Dept. of Education.	Random assignment.	In all five programs combined, the two-year dropout rate was reduced from 29% for the control group to 20% for participants. This reduction was statistically significant. Positive results were concentrated in two sites: urban Detroit and rural Oklahoma. These sites cut dropout rates by more than half, from about 25% to about 10%.	The two most successful sites provided several years of counseling, individual tutoring and academic assistance, and special study materials to at-risk students enrolled in vocational high schools A similar random assignment evaluation of 4 sites on Indian reservations did not yield significant reductions in dropout rates. Source: Hayward and Talmadge (1993)

market. The CET example suggests that moderately intensive, short-term youth training can work if provided with a no-nonsense, work orientation (as opposed to a "warm and fuzzy" approach emphasizing GED attainment without a strong link between learning and the labor market).

Disadvantaged in-school youth. The difficulty of effectively serving dropouts and the apparent high returns to additional formal schooling (as opposed to GEDs) for the disadvantaged both serve to underscore the importance of dropout prevention efforts. Table 3 summarizes three recent random assignment evaluations of interventions for in-school youth.

The Summer Training and Employment Program (STEP) provided remedial academic education and jobs to disadvantaged youth aged 14 to 15 during two summers. It did not include a school-year component. The program proved successful in offsetting "summer learning loss" and improving short-run academic achievement. But these gains did not translate into longer-run improvements in academic or labor market outcomes.

In contrast, there exists growing evidence that services for in-school disadvantaged youth which start early (when youth are 14 to 15 years old) and follow youth for multiple years through high school can reduce dropout rates. The Quantum Opportunities Project (QUOP) provided extensive long-term services to randomly selected students from families on public assistance in very poor neighborhoods. Although the sample sizes are small, QUOP appears to have substantially increased high school graduation and college attendance rates. Preliminary results from a new series of small-scale random assignment dropout prevention demonstrations sponsored by the Department of Education are also promising.[14]

Disadvantaged adults. A number of training and job search assistance programs for disadvantaged adults have achieved significant improvements in earnings, especially for women. Although this training is typically short-term, the results for adults contrast sharply to the often disappointing impacts observed for youth. CETA training programs produced significant earnings gains only for women participants, while the programs under JTPA Title II-A succeeded in improving earnings for both men and women (LaLonde, 1992; U.S. Department of Labor, 1994b).

The large-scale experimental evaluation of JTPA found that disadvantaged adult participants earned an average of $940 more than controls during the second year after leaving the program. This represented an increase of 10 percent for men and 15 percent for women as compared with what they would otherwise have earned. The impacts of the program varied according to the type of services provided: generally, short-term classroom training was the least successful, and a combination of on-the-job training and job search assistance produced the best results (Bloom and others, 1994). Subsidized employment approaches have also been successful in producing long-term earnings improvements for disadvantaged single mothers (Bell and Orr, 1994; Couch, 1992). A wide variety of employment and training programs for adult female public assistance (AFDC) recipients appear to generate modest (but statistically significant) earnings increases that persist for at least several years, and most of the evaluated interventions appear cost-effective. Evaluations in other OECD countries have also shown particular success for training and employment services to adult women entering or re-entering the labor market (OECD, 1993).

Lessons from evaluations of programs for the disadvantaged

The following lessons can be taken from evaluations of programs for the economically disadvantaged:

(1) *Efforts at reducing early school-leaving targeted on at-risk students are crucial and can be quite effective if they start early enough and are sustained throughout the period of secondary schooling.* The high returns to mainstream secondary and post-secondary schooling for the disadvantaged and low returns to less-intensive education (such as GEDs) argue strongly in favor of efforts at dropout prevention.

(2) *Early and comprehensive interventions may make sense for disadvantaged youth.* Research indicates that the problems of disadvantaged youth and adults—dropping out of school, teen

pregnancy, involvement in crime, drug abuse, employment difficulties—have their origins much earlier in life. Contacts between disadvantaged youth and adults who will take an active interest in them should be encouraged, the earlier the better. Besides providing guidance and support, mentors and role models can help to influence the attitudes, motivation, goals, and aspirations of youth. Young people also need more constructive activities during after-school and weekend hours, to reduce the amounts of time spent idly or hanging out around the neighborhood. Youth development experts maintain that some of the best programs incorporate a set of core principles, including safety, structure, membership, relationships with adults, and a sense of belonging and self-awareness. More than just content, this context is often what matters.

(3) *The most effective programs for the disadvantaged place an emphasis on work and mutual responsibility.* The CET in San Jose has performed well in random assignment evaluation of two separate target groups—dropout youth and young adult female single parents. Perhaps the reason for its success is that program staff take very seriously the tasks of teaching an occupational skill and finding a career-track job for enrollees. Everything in the program is geared to this. Similarly, the successful GAIN program for AFDC recipients operated in Riverside County, which focuses on quickly moving enrollees into jobs, has had much larger impacts on the earnings of former welfare recipients than the GAIN programs in other California counties were able to achieve (Riccio and others, 1994).

(4) *Continuing services following job placement are probably a sound investment.* Disadvantaged youth are likely to benefit from programs which continue to offer supportive services to them once they are placed in a job. Such help is especially important during the first two years after placement in a first job—a period during which most youth move from job to job before settling into a career progression. Staff should be available to help negotiate with employers and resolve problems. Although it has not been formally evaluated, Project STRIVE, with sites in New York City and Philadelphia, focuses on build-

ing relationships that will foster good employment experiences for youth from very disadvantaged backgrounds, and appears to be successful using this approach (Ofori-Mankata and Won, 1993). Rigorous evaluations of the effectiveness of program models using follow-up services are needed.

(5) A consistent finding across many evaluations is that *training and employment services for disadvantaged adults appear to be sound investments that raise employment and earnings, especially for women.*

(6) *The percentage earnings impacts of successful programs for the disadvantaged are similar to those of other human capital investment but the absolute increases in earnings are only modest on average. Thus training and employment services need to be augmented by other policies to make work pay such as earnings supplements for low-wage workers.* The gains created by training programs are important, and represent real gains for society and for the individuals involved. But they are often not enough to dramatically increase participants' income. For example, because of the low base earnings of single mothers on AFDC, even programs with a substantial positive effect haven't greatly reduced poverty rates among participants. The recent expansion of the U.S. earned income tax credit is an example of an important step toward linking income supplements to work.

(7) *Substantial variations in program effectiveness are apparent across providers using very similar models.* A very large gap exists between the best and worst service providers in the U.S. employment and training system. This gap does not depend so much on the types of services provided—classroom training, on-the-job training, or work experience—but rather on the quality of whatever service is provided. The management philosophy and organizational culture of training providers and brokers appear to be critical factors, as do the capabilities of the staff and quality of their interactions with participants.

Conclusions

How should advanced nations cope with economic changes that appear to be creating a jobs problem for the less-skilled and the disadvantaged? A much more fruitful approach than trying to preserve activities that are no longer economical against the forces of change is to try to create a better-skilled workforce that is more adaptable to shifts in demand driven by technological change and globalization. The first element in such a strategy is the development of a system of life-long learning accessible to all workers. Such a system will require improved basic education, an effective school-to-work transition system, and incentives for employers to invest in their workforces. Adequate resources being devoted to second-chance programs with demonstrated records of payoff for disadvantaged youths and adults and experimentation with promising new approaches to improving labor market prospects for these groups also needs to be part of a strategy of enhanced human capital investments. And the availability of financing to make sure all qualified individuals can get higher education is also important, especially given much evidence of high returns to the additional post-secondary schooling associated with increases in accessibility (reductions in the effective cost) of such schooling. Increased investments in incumbent workers and productivity enhancements in the workplace can potentially be facilitated by the diffusion of a system of more cooperative worker-management relations found in emerging high performance work organizations (U.S. Department of Labor, 1993).

The second key factor in creating a more adaptable workforce is the movement from an unemployment system that primarily provides simple income maintenance to a more active "re-employment system" that empowers the unemployed with job search assistance and quality retraining opportunities. At least a small part of the social gains from improvements in productivity and purchasing power from technological change and increased internationalization should be used to assist displaced workers better make the transition to new jobs.

The third factor is to take steps to make sure work pays for the less-skilled and less-fortunate. All approaches to improve earnings at the bottom will involve some distortionary effects (for example, increased marginal taxes on some groups to finance earnings supplements, potential employment effects of a minimum wage, and so on). Thus a balanced portfolio of policy instruments should be used so one does not increase any specific distortion too far. The earned income tax credit is an important example of an instrument that links income supplements to work. Wage subsidies and a modest minimum wage also can play a role.

Microeconomic policies to create an adaptable workforce encourage open markets and the development and introduction of new technologies. A more adaptable workforce complements growth-oriented macroeconomic policies. Expanding markets and increased investments in research and development and the diffusion of new technology create further opportunities for high-wage jobs. Policies to buffer the earnings of the less-skilled through tax credits and institutional wage setting can help make sure the disadvantaged are not left behind in a more skill-intensive economy. Such policies to make work pay for the less-educated and disadvantaged are likely to be most effective when combined with policies to improve their skills and access to networks providing linkages to job opportunities. The experience of the 1980s shows that macroeconomic expansions, new technologies, and expanded trade can leave many behind when not accompanied by active measures to improve skills, assist reemployment, and make work pay.

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Endnotes

[1]The chart plots the time series for overall wage inequality as measured by the log wage differential between the 90th and 10th percentile worker in each group.

[2]Supply-side changes in the composition in the workforce cannot explain recent U.S. wage structure changes since groups with relative wage increases, such as college graduates and women, also had substantial increases in their relative numbers in the workforce.

[3]The data in Chart 3 were kindly provided by Constance Sorrentino of the U.S. Bureau of Labor Statistics. Nine broad industry categories were categorized into high and low educational attainment sectors based on educational attainment data for the United States from the March 1985 Current Population Survey.

[4]Estimates of the number of males under correctional supervision (in prisons or jail, on parole, or on probation) by race and age for 1980, 1983, 1986, 1989, and 1991 were kindly provided by Darrell K. Gilliard and Allen J. Beck of the U.S. Bureau of Justice Statistics (BJS) using data from BJS surveys of prisoners (state, local, and federal), parolees, and probationers (U.S. Department of Justice, 1994). Criminal supervision rates for a group are given by the ratio of the estimated number of individuals under correctional supervision in the group to the total U.S. population in the relevant age/sex/race group. The total U.S. population for a group is given by the sum of the civilian noninstitutional population from the Current Population Survey; the prison and jail population from the BJS estimates; and the Armed Forces population. Data on the prison population is available for 1993 from Gilliard and Beck (1994), but data on 1993 parole and probation levels are not yet available. The 1993 estimates of criminal supervision rates are based on the assumption that the probation and parole rates grew at the same rates as the prison population from 1991 to 1993.

[5]OECD (1993) provides a fairly comprehensive recent survey of this literature and documents recent trends on spending on active and passive labor market measures in the OECD.

[6]The finding for the United States that these changes in educational wage differentials are apparent even when following fixed age cohorts over time indicates that these results do not just reflect a selection effect of a lowering of the relative quality of college graduates with an expansion in the fraction going to college.

[7]Of course, as Heckman, Roselius, and Smith (1993) point out, one must be cautious in drawing strong conclusions based on surveys of formal training activity because they do not account for informal on-the-job training.

[8]See Bassi (1994), Grossman (1992), LaLonde (1992), and U.S. Department of Labor (1994b) for recent surveys of the literature.

[9]See Heckman (1991) for a critical analysis of the use of random assignment experiments in social policy evaluation.

[10]See Heckman and Hotz (1989) for a thoughtful analysis of appropriate approaches to assessing the plausibility of alternative nonexperimental estimates of program impacts.

[11]It should also be remembered than even well-designed evaluations may be somewhat tricky to interpret. Standard estimates of program effects show only the marginal or additional impact

of the particular program being evaluated beyond any other services that are available in the community and received by the control group. The aggregate benefits of a program may be overestimated to the extent the labor market success of participants has displacement effects that adversely affect the labor market prospects of nonparticipants. In contrast, overall program benefits may be underestimated in the presence of peer or neighborhood effects in which participant gains have positive spillover effects on others in their communities. It is also typically not feasible to design an evaluation in a manner to learn about how the scale of operation of a program affects its effectiveness.

[12]An important caveat to the negative findings of evaluations of youth programs, such as the JTPA out-of-school youth component, is that youth in the control (comparison) groups also receive substantial training and education services (such as from Pell grants to finance further education at community colleges or proprietary schools or from local nonprofits). The gap in hours of training services between the treatment and control groups of youths in the recent national JTPA evaluation was not very large (approximately 200 hours).

[13]Cameron and Heckman (1993), as well as other nonexperimental and experimental studies, find that GED receipt by itself does not appear to improve the labor market outcomes of high school dropouts.

[14]These findings have not been officially approved by the U.S. Department of Education.

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SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: March 28, 1995

Date of Request:	3/14/1995
Request for:	POTUS/FLOTUS
Type of Request:	Honorary Sponsors
Requestor Name:	Jean M. Lynn, R.N.
Title:	Chairperson
Organization:	Harvest Moon Classic '95 Breast Care Center The H.B. Burns Memorial Building 2150 Pennsylvania Avenue, N.W. Washington, D.C. 20037
Contact Tel. #:	202/994-4589
Event Date:	10/01/1995
Event Description:	Fourth Annual Harvest Moon Classic
Notes:	The Harvest Moon Classic is a 10K run used to promote breast cancer awareness. The organizers claim that all proceeds will go to research and educational programs. The President and First Lady were asked to serve as honorary chairs in 1993 and declined.

Recommendations:

MW _______ JP pv _______ EB _______

THE PRESIDENT HAS SEEN
4/17/95

TO: The President
FR: Stephen Goodin
RE: NEA video
DT: April 14, 1995

I now have the NEA introduction video and the text of Keith Geiger's introduction of you. According to the NEA you had requested these items.

What would you like done with them?

____ Send the items to file (with records management); I will request them later if I want to see them

____ Place the items in a personal file (with Nancy)

____ Keep the items for now; I will look at them when I come back next week

____ I will take the video and remarks with me (put them in my in box)

give to E. Bowles
Say I want to discuss
w/ him. —
BC

nea

National
Education Associatio
1201 Sixteenth Street, N
(202) 822-7200
Washington, D.C. 2003

Pres. Clinton
Intr. 1995 NEA
NC 5:40

nea

National
Education Association
1201 Sixteenth Street, N.W.
(202) 822-7200
Washington, D.C. 20036

Pres. Clinton
Intr. 1995 NEA
NC 5:40

THE PRESIDENT HAS SEEN
4/17/95

INTRODUCTION OF THE PRESIDENT

REMARKS BY KEITH GEIGER

PRESIDENT, NATIONAL EDUCATION ASSOCIATION

SAFE SCHOOLS SUMMIT

LOS ANGELES, CALIFORNIA

APRIL 8, 1995

WE ARE DEEPLY HONORED TO HAVE WITH US TODAY, AT THIS HISTORIC NEA SAFE SCHOOLS SAFETY SUMMIT, THE PRESIDENT OF THE UNITED STATES.

DURING HIS FIRST 26 MONTHS IN OFFICE, PRESIDENT CLINTON HAS COMPILED AN EDUCATION RECORD THAT DESERVES AN A PLUS.

HE EXPANDED THE HEAD START PROGRAM SIGNIFICANTLY.

HE REVAMPED THE COLLEGE STUDENT-LOAN PROGRAM, PUTTING IT ON AN EVEN FINANCIAL KEEL.

HE LAUNCHED THE BOLD, NEW SCHOOL-TO-WORK OPPORTUNITIES INITIATIVE FOR STUDENTS WHO DO NOT GO ON TO COLLEGE.

HE CREATED THE NATIONAL SERVICE PROGRAM AMERICORPS.

HE STAUNCHLY SUPPORTED THE SAFE AND DRUG-FREE SCHOOLS PROGRAM.

MOST IMPORTANTLY, HE HAS ELEVATED EDUCATION TO THE STATUS OF A NUMBER ONE NATIONAL PRIORITY.

AT THE SAME TIME, PRESIDENT CLINTON STOOD SHOULDER-TO-SHOULDER WITH JIM AND SARAH BRADY TO PASS THE BRADY HANDGUN PREVENTION ACT. AS A RESULT, THE SALES OF 44,000 HANDGUNS TO CRIMINALS HAVE BEEN STOPPED AND 2,000 FUGITIVES TRYING TO BUY HANDGUNS HAVE BEEN STOPPED.

PRESIDENT CLINTON ALSO BRAVED THE WRATH OF THE NATIONAL RIFLE ASSOCIATION TO BAN ASSAULT WEAPONS. AND THANKS TO HIS EFFORTS, THERE ARE MORE POLICE ON THE STREETS OF AMERICA TODAY THAN THERE WERE WHEN HE TOOK OFFICE.

PRESIDENT CLINTON UNDERSTANDS THAT AMERICA CAN VANQUISH THE TERRIBLE EPIDEMIC OF VIOLENCE THAT ENGULFS US ONLY IF WE ALL WORK TOGETHER----POLICE, TEACHERS, AND SCHOOL STAFF, PARENTS, COMMUNITY MEMBERS, BUSINESS, AND, YES, GOVERNMENT.

PRESIDENT CLINTON UNDERSTANDS THAT PUBLIC EDUCATION IS THE CORNERSTONE OF THE AMERICAN DREAM.

HE IS A TRUE FRIEND OF PUBLIC EDUCATION .

HE TRULY IS <u>THE</u> EDUCATION PRESIDENT!

LADIES AND GENTLEMEN, THE PRESIDENT OF THE UNITED STATES, BILL CLINTON.

Black Family Is Divided on Affirmative Action As Father Backs It, Daughter Seeks Alternatives

By MICHAEL K. FRISBY
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Attorney William Coleman says affirmative action is far too valuable to dismantle. But a younger voice—that of his daughter, Lovida—says it has outlived its usefulness.

Within this prominent African-American family are two sides of a debate that divides black communities: Is affirmative action still a good thing?


William Coleman

Yes, insists Mr. Coleman, a high-powered Washington lawyer. "The evidence shows that any time you give people opportunity and all the barriers are down, blacks do extremely well," says the 74-year-old legal pioneer, who implemented some of the first affirmative-action programs as a member of President Ford's cabinet.

Maybe not, says Ms. Coleman, 46. "I don't think you can continue to make progress if you spend all of your time battling over the remedy. It's divisive," she says. "It's absolutely clear that our political-perception problem with affirmative action is a reason in itself to think of something else."

Like the Colemans, other blacks also split along generational lines. Often those in their 60s and 70s, who were victimized by an era of overt racism, are hardened defenders of using preferential treatment to correct the sins of the past. Meanwhile, affirmative-action babies, particularly those in their 30s and 40s who have experienced the backlash that preferential treatment can create, seek alternatives.

Tough Choices for Clinton

In a few weeks, President Clinton will decide whether to jettison some affirmative-action programs, as resistance to them builds among whites and Republicans demanding a rollback. The political success of his decree will be determined, in part, on whether he can convince blacks—a pillar of his Democratic Party — that it's time for changes.

The president will have a tough sell on the older generation, which sees affirmative action as a legacy of the civil-rights struggle. "To get rid of affirmative action to them amounts to a betrayal equivalent to when the government pulled out the troops in the South to end Reconstruction," says Gerald Early, director of African-American studies at Washington University in St. Louis.

That description fits Mr. Coleman. He led the research team for the landmark Brown vs. Board of Education court case, and was President Ford's transportation secretary. But he also faced roadblocks climbing the ladder — the kinds of roadblocks that he believes affirmative action helps to clear.

As a youth, he felt the pain of discrimination. He was banned from his high-school swim team, and it was disbanded when he and his parents protested. Later, Mr. Coleman graduated first in his Harvard Law School class, and was the first black to clerk at the Supreme Court.

Yet in 1949, no law firm in his hometown of Philadelphia would hire him. So he took a job in New York, and he rode a train to work from his Philadelphia home for three years.

Mr. Coleman has never forgotten his battles, and he wants to make sure other blacks can follow in his footsteps. Recently, his feelings about the need for affirmative action once again crystallized, as he peered out the window of his limousine as it glided through Manhattan after he completed two deals there.

Tale of Two Cities

Along Park Avenue, the white children of privilege walked home from private schools to their expensive co-ops. Minutes later, he passed poor black children stepping over debris as they trekked from rundown school buildings infested with drugs and violence.

"At least," he asks, "shouldn't you concede there are kids there as bright as those kids on Park Avenue, and there is no way they are going to get to first base unless somebody affirmatively goes up there and does something to help them?"

Clearly though, the times have changed from when Mr. Coleman singlehandedly forced affirmative action upon states and cities. When he was transportation secretary and Atlanta needed federal funding for a subway system, Mr. Coleman dictated that half the stations be designed by black architects. And when Virginia needed approval to build a new highway, he made the state hire a percentage of minority contractors.

In both instances, the chosen companies flourished. To Mr. Coleman, opportunity is everything. "When Jackie Robinson came up, it was the greatest thing in the world," he says. "He turned out to be a star. But can you realize how many kids who were equally as good [who] just got destroyed?"

Today, steps like those he took in Atlanta and Virginia might draw reverse-discrimination suits. And his daughter worries that affirmative action isn't the right tool anymore, though she isn't ready to toss it aside without an alternative in hand.

Dealing With Racism

An attorney specializing in white-collar crime cases at Washington's Sutherland, Asbill & Brennan law firm, Ms. Coleman recognizes the role, often adverse, that race plays. "I still know that when I walk into a room, the first thing someone perceives is my skin color and my gender," she says. "I know that I have to speak to someone in a way that they will go, 'This person speaks like a white person.' "

In fact, her experiences force her to think carefully about precisely how affirmative action might be dismantled. Although Ms. Coleman attended a prestigious Philadelphia private school, Harvard University and then Yale Law School, she hasn't been immune to discrimination. Upon meeting a co-worker from another city, she was once greeted with, "I knew you were a woman, but [I] never knew that you were black."

And when representing an aircraft manufacturer, she reviewed an executive's file. In it, she found a memo asking how to deal with a qualified black engineer, who was seeking a promotion. The message of the memo, she says, was: "How can we say no" to the black engineer's promotion?

Such incidents leave her conflicted. She has seen benefits from affirmative action, particularly when whites become comfortable with minorities after working alongside them. But that doesn't overshadow her doubts about affirmative action, which were cemented recently when she heard a white male interviewed on National Public Radio. She was struck as he described applying for a job and being told that he wasn't "the kind" they were looking for.

"The indignation in his voice doesn't give me any satisfaction," Ms. Coleman says. Affirmative action "is imposing the same kind of indignation among white people that we so deeply resented for so many years: The anguish of being told the color of your skin means no."

Ms. Coleman admits, however, that the one solution she has devised is imperfect. She would end all government-imposed affirmative-action programs, but only if the government guaranteed that urban children of all races would get a public education as good as that offered by the best private schools.

"Give them tools and skills rather than job opportunities," she says. But Ms. Coleman, who like her father is a Republican, admits that it would be "too expensive."


Lovida Coleman

Other black thinkers are similarly casting about for new approaches. Mr. Early calls for a five-year moratorium on affirmative-action programs, during which the country could analyze whether blacks are hurt without them. Carol Swain of Princeton University argues that "if you didn't have affirmative action, but more enforcement of discrimination laws, you would see greater benefit for blacks and women."

In any case, Ms. Coleman says something must change. "The problems are overwhelming enough that we must find a consensus and go back to a time when we can talk about improving our society instead of dividing up the kitty."

GS
you might ought
to call her
BC

THE PRESIDENT HAS SEEN
4/17/95

THE WASHINGTON POST
THURSDAY, APRIL 13, 1995

THE PRESIDENT HAS SEEN
4/17/95

Republicans Map Out an Assault on FCC's Powers

By Mike Mills and Paul Farhi
Washington Post Staff Writers

As a new era in electronic communications dawns, Washington's newly empowered Republicans are asking a question that hasn't seriously been posed in six decades: Does the federal government really need a large, permanent bureaucracy to regulate the nation's telephone, television, radio and satellite industries?

Since its creation in 1934, the Federal Communications Commission has weathered technological changes, budget cuts and the deregulatory sweep of the 1980s. It also has grown, to about 2,200 employees.

This year, just as the agency is promoting itself as national guide for the digital revolution, it may have to fight for its life instead.

Many Republicans say the agency regulates with too heavy a hand. An episode of "I Love Lucy," for example, can travel over satellite, cable television, broadcast, telephone lines or a wireless microwave TV system—and the FCC would regulate each transmission under entirely different rules.

Now some Republicans are organizing an all-out assault. The Progress and Freedom Foundation, a think tank closely allied with House Speaker Newt Gingrich (R-Ga.), plans in May to submit to House Republicans a detailed plan for "replacing" the FCC with a new stripped-down regulatory structure, said Jeffrey Eisenach, the group's president.

Among their ideas: Defer most of the agency's antitrust work to the Justice Department, and eliminate current functions of setting market rules for new technologies such as high-definition television and overseeing rates for cable and phone companies. This would reduce Washington's role in communications to simply auctioning licenses for phone companies, broadcasters and others who use the radio spectrum, and settling disputes.

Rep. Jack Fields (R-Tex.), chairman of the House Commerce subcommittee on telecommunications, which oversees the FCC, said he plans to deliver to the House Budget Committee a list of ideas for reducing the agency's powers within weeks.

Unlike initiatives to eliminate funding for the Corporation for Public Broadcasting, the National Endowment for the Arts or affirmative action programs, Republican scrutiny of the FCC is rooted in changes in technology. With voice, video and data communications all converging around a common digital standard, the traditionally rigid barriers among various telecommunications industries are breaking down.

"We really do feel that entity needs to be dramatically reformed," Fields said. "There's a strong feeling among those in industry and many of us in Congress that the FCC is an impediment to new technologies coming forward."

FCC officials are perplexed and angry that their role in guiding the telecommunications in-

See FCC, D16, Col. 1

FCC, From D12

dustries into the digital era is being questioned. They say they have streamlined their bureaucracy and are fostering a new era in which competition will gradually phase out regulation.

The FCC points to recent auctions for wireless communications licenses that have raised more than $7 billion for the Treasury, and recent cable industry rate rollbacks that the agency claims have saved consumers as much as $3 billion.

"In effect, I've given some of the same message," said FCC Chairman Reed E. Hundt. "Our role is radically reversing, being altered, in some cases being shrunk. We agree that you've got to throw out many of the old rules."

Hundt contends that the FCC still has an important role to play in ensuring that consumer interests are protected and that rival industries compete on equal terms in the new technologies. "Without that," he said, "you won't have a revolution, you'll have de-evolution."

Hundt had agreed to debate the FCC's critics today in a forum sponsored by the Heritage Foundation, but canceled last night. His office cited a scheduling conflict, but an FCC official who asked not to be identified said the agency was concerned that Hundt's presence would call unnecessary attention to the issue.

Consumer advocates say that today's communications marketplace is far from a fully competitive digital nirvana. The nation's local cable and telephone systems are still largely monopolies and, in the absence of a government watchdog like the FCC, rates would rise and new competitors would be forced out of business, they say.

Doing away with the FCC before full competition arrives would be "putting the cart before the horse," said Andrew Jay Schwartzman, executive director of the Media Access Project, a Washington consumer advocacy group.

Critics call the FCC a relic from an outmoded assumption that federal government should oversee any activities that cross state borders. The model for the FCC, they are quick to point out, was the Interstate Commerce Commission, which was created in 1887 to regulate railroads. Congress is likely to do away with the ICC this year, many analysts say.

Industries that are regulated by the FCC aren't expected to join in any crusade to dismantle the agency. Officials at Bell Atlantic Corp., AT&T Corp. and MCI Communications Corp. all declined to be interviewed for this article. "Industry groups will be hesitant to come forward and testify," Fields said. "They fear their activities could be affected."

VP
per our talk
last week

BR

The Fairest Cure We Have

THE PRESIDENT HAS SEEN
4/17/95

By James P. Turner

ACCOKEEK, Md.

Back to the future is the right approach to the affirmative-action debate. Strip away 30 years of political baggage, and you will uncover a measured way to undo patterns of discrimination that is still the fairest remedy we have.

In retrospect, the idea that grew into affirmative action seems tame. In 1966, the Justice Department looked behind the innocent facade of a craft union in New Orleans and discovered a closed-circuit operation that guaranteed that minorities would never work in the trade. Every member of the local was white, and a vicious circle of rules guaranteed it would stay that way. To get a job through the union's exclusive hiring hall, one had to be a member, related to a member or referred by a member; to become a member, one had to have experience working in the trade. This lily-white union could perpetuate itself indefinitely.

To comply with Title VII of the 1964 Civil Rights Act and break away from the restrictive rules, a Federal court approved the first-ever race-conscious remedy: the union must seek out and invite minorities to use the services of its hiring hall, and for a time it must make job referrals on an equal basis, one-for-one, minority and white. The requirements would cease when the evidence showed that the excluded minorities had been afforded a fair chance to obtain work experience and qualify for union membership.

In every sense of the word, the court's orders were "affirmative." Rather than appointing a receiver or bankrupting the local with fines, the court required the union to reform itself. Equitable balance required that a period of negative exclusion should be redressed by a period of affirmative inclusion. This kind of relief, carefully structured and temporary, became standard under Title VII as a way to restore balance to an employment system that, intentionally or otherwise, had used race as a qualification for jobs.

In 1970, another affirmative way to break down patterns of exclusion was designed by the Nixon Labor Department. A Federal court approved Philadelphia's approach, which required contractors seeking city business to pledge that their employees' racial makeup would approximate that of the local work force. The court held that this was a reasonable way to address the city's legitimate interest in breaking down discriminatory policies.

In 1979, Congress began to participate in affirmative action. In a special economic stimulus package, 10 percent of the Public Works Act appropriation was set aside for minority contractors. The approach was approved by the Supreme Court, which stressed its limited nature and Congress's desire to address discrimination previously found in federally funded programs.

Into the 1980's, the Supreme Court encouraged reasonable reform efforts, approving one employer's training program to help minorities qualify for advancement and another's adoption of goals to overcome a seriously lopsided work force.

Outside the employment field, affirmative remedies were approved in other areas infected with discrimination, from desegregation of schools to college admissions to voting rights. When an election system was rigged to eliminate or minimize minority participation, the Voting Rights Act required jurisdictions to replace the offending features with fair designs that enhanced minority voters' opportunities.

There is nothing radical, immoral or un-American in these simple, therapeutic concepts of affirmative action. However, these perfectly sound principles have been so abused by fringe politicians and pressure groups that the original purposes have been obscured and the general public has become befuddled.

During the "Reagan revolution," conservative Republicans railed that affirmative action was nothing but a quota system in mild disguise, fanning the flames of racial division with the scary cliché of "reverse discrimination." Fortunately, the Federal courts would not be stampeded, and repeatedly rejected invitations to throw out effective remedies because they were inconsistent with someone's pet philosophy.

Affirmative action is not un-American.

The liberals have muddied the debate with their unfortunate penchant for affirmative "stretching" that plays into the hands of the conservative quota-bashers. For example, in 1983, when liberal Democrats gained control of the City Council in Richmond, Va., the new majority promptly earmarked 30 percent of contracting dollars for minority contractors (including Eskimos and Aleuts) — not as a carefully targeted remedy for past discrimination but as a virtual entitlement. Again, the courts came forward, this time to warn that such racial classifications were unconstitutional.

More recently, the Clinton Administration, which seems determined to placate the left, has taken the position that a school district may discharge a teacher because her race is inconsistent with the demands of proper diversity. This stretching is under review by the Federal courts.

Perhaps the worst of all worlds is the shameful bipartisan political spectacle that has produced some of the oddest so-called electoral districts in American history.

After the 1990 census, Republican operatives came up with a poisoned apple — free software programs — to help minorities design districts they could control, not because it was right but because concentrating minorities in a few districts would turn adjacent districts Republican. For practical political reasons, the Democrats jumped into this campaign to maximize minority districts (no matter how bizarre their shapes). The Administration is now trying to defend them all, including some plainly indefensible racial gerrymanders.

Over the last 15 years, a war of ideological slogans has passed for public debate. The pendulum has swung wildly from those who would use public concern over class-based remedies as a wedge to roll back civil rights progress to those who consider affirmative action a convenient way to achieve politically correct bean counting. To all of them I say, "Let's give it a rest."

Civil rights are basic principles of our democracy that should not be used as political grist. Other than faithful enforcement, there should be no Republican or Democratic position on civil rights.

We don't need another evaluation of affirmative action nearly as much as we need a little peace and quiet on the subject. With that, and court guidance, we can trust the law-enforcement professionals at the Justice Department and elsewhere to get on with the business of enforcing the civil rights laws through the careful, balanced, non-excessive application of the principles of affirmative action. □

James P. Turner retired last year after 25 years as the career Deputy Assistant Attorney General in the Justice Department's Civil Rights Division.

THE NEW YORK TIMES, SUNDAY, APRIL 16, 1995

To Ickes
Fyi —

THE PRESIDENT HAS SEEN
4/17/95

Essay

WILLIAM SAFIRE

'But Not So Fast'

WASHINGTON

You cannot be a participant or even an active observer of the 1996 campaigns without taking a stand on a central issue: what liberals euphemize as "affirmative action" to achieve equal opportunity and what conservatives dysphemize as "reverse discrimination" that undermines it.

That's because the use of government purchasing power to bring about that "fair chance" — an egalitarian end both socially just and democratically satisfying — illustrates the great pendulum swing taking place.

For the better part of 50 years, the essential message of Republicans who wanted to win office was "Me, too — but not so fast."

Today, the way to tell how the pendulum has reversed direction is to listen to the message of reconstructed Democrats, including President Clinton: From tax cuts to welfare reform, loyal and necessary foot-draggers cry out "Me, too — but not so fast."

Nowhere is this message delivered with such pain as in affirmative action. The tide of resentment is rising against the giving of racial or sexual preference to overcome past discrimination in unions, colleges and businesses, which politicians cannot ignore.

Here is how the President, along with Republicans seeking his job — many of whom have long voted for numerical goals as evidence of nondiscrimination — should handle this issue:

1. *Don't apologize for having done what was right.* Anti-merit discrimination is wrong and the country was right to make it unlawful. The country was ready for a wrenching-around and decided to redress past wrongs. Good for us.

2. *Point out how both parties responded to the public's moral decision.* Eisenhower's Labor Secretary, James Mitchell, supported by Vice President Nixon, began the pressure; then Nixon's Labor Secretary, George Shultz, used what he called "a sledgehammer known as the Philadelphia Plan" to coerce all-white unions to admit a percentage of blacks to get Federal business. Although bad short-term politics (it infuriated the construction trades, the only right-wing unions), carrying out the will of the majority was good governing.

3. *Recognize that circumstances have changed and public policy must respond to the public's new judgment.* The change is neither racist nor sexist nor elitist; it is rooted in the same pro-merit, anti-discrimination impulse that created affirmative action.

Toward merit and self-reliance.

4. *Don't claim that equal opportunity is now a fact, nor pretend that little progress has been made.* The leaning-over-backward system of numerical measurement has brought us as far as it can. Now government pressure is becoming counterproductive, a breeding ground for class-sex-race warfare and an offense to individual rights. A new way has to be found to make merit the criterion for entry and advancement while helping the non-wealthy, the non-white or non-male make it.

5. *Present your new way; that's why we hire Presidents.*

Base your plan on the rock of the new reality: to equalize opportunity, top-down coercion is past and the time for persuasion and peer pressure is now.

Federal arm-twisting has had its necessary day; if the Presidency is, as F.D.R. said, above all a place of moral authority, let a President use his pulpit to exhort us — as individuals — to give the democratic ideal of merit a broad construction.

When judging candidates for jobs or schooling, count in a person's struggle against adversity; give extra weight to the disadvantaged who have the character to refuse to see themselves as victims and the grit to try to scale the walls.

Cornball? The country was built by moralist cornballs. The trouble with government action is that it often results in the atrophy of individual responsibility. How do we instill a sense of moral duty in executives and union leaders? We start selling it at all levels, teaching it at home and in business schools and preaching it in houses of worship. We change the let-government-do-it culture to do-it-yourself.

As the pendulum swings, America is once again becoming a nation of individuals; and when leaders awaken our consciences, most of us do the right thing, even if not so fast.

At Eastertime and Passover, we are reminded that we are our brothers' keepers and we are expected to open our doors to the stranger among us. □

GS —
This is good!
B.

THE NEW YORK TIMES, MONDAY, APRIL 17, 1995

THE WASHINGTON POST
MONDAY, APRIL 17, 1995

THE PRESIDENT HAS SEEN
4/17/95

Leon/McCurry
how true!
B

Robert Kuttner

Too Late for Democrats To Plug the Money Drain

Among the many lost opportunities of the last Democratic Congress were universal health reform and a constructive welfare-to-work program. But the one that will come back to haunt Democrats was the failure to enact campaign finance reform.

A generation ago, there was a rough partisan and ideological balance to campaign finance. Business political action committees (PACs) contributed to support a conservative agenda. Labor, consumer and environmental PACs invested in a liberal one.

In the 1970s, the business PACs' spending began pulling away. By 1990 they were outspending labor and liberal PACs by 7 to 1. Conservative individual donors also were outspending liberal ones. But Democrats nonetheless remained financially competitive, because of the power of incumbency. Between 1954 and 1994, Democrats controlled the House without interruption and the Senate for all but six years.

This set up an uneasy symmetry. Business interest groups sympathized with Republican philosophy, but they also gave heavily to Democratic incumbents, especially committee chairmen.

This system gave the Democrats financial parity for their reelection battles, but it made them dependent on donors with little sympathy for the Democratic agenda.

The more Democratic incumbents departed from their traditional progressive economic policies, the more the big-business donors approved. The Democrats pronounced "soundest" by the money establishment were those with the least to offer the traditional Democratic base. Not surprisingly, the base withered.

Thanks to heavy business investment in Democratic incumbents, the financial pattern of recent elections was roughly this: In contests between Democratic incumbents and Republican challengers, the Democrats held their own. However, incumbent Republicans and Republicans contesting open seats typically enjoyed a money advantage, since business PACs and their allies had little reason to give to Democratic challengers.

This system was a time bomb for Democrats, and last November it exploded. With the 1994 Republican sweep, Democrats no longer have incumbency to sell.

House Speaker Newt Gingrich and his allies have begun using their own incumbency to warn business groups to stop financing Democrats. Some Republican freshmen have refused even to talk to lobbyists who committed the sin of donating to their Democratic opponents.

Gingrich, as well as Republican senators Phil Gramm and Robert Dole, have also astutely used personal "leadership PACs," such as Gingrich's GOPAC, to raise and recycle campaign money to Republican candidates. This enriches the coffers of GOP challengers—and creates a nice IOU to be called in later.

Next year, the latent financial tilt of our political system will become flagrant. In contests for open seats, Democrats will likely be outspent by an average of three or four to one.

Even Democratic incumbents (now without committee chairs) who used to reap business money with relative ease will often find themselves outspent. The money tilt will likely supercharge the Republican ascendancy—unless it is offset by a massive grass-roots counteroffensive on the Democratic side.

In an era when television advertising displaces an old-fashioned politics of rallies, door-to-door canvasses and kitchen-table discussions, the candidate unable to buy TV time is invisible to many voters. In the future, two kinds of Democratic candidates will be viable: the kind who can energize a grass-roots army and outflank paid TV, and the kind who can attain instant financial competitiveness by writing a massive check from a private fortune. As money drives out participation, guess which one begins with the head start?

Lately, more Democratic fat cats who were once party fund-raisers have decided to eliminate the middleman and become the candidate. There are fewer poor-boy populists such as Sen. Paul Wellstone of Minnesota and more millionaire centrists such as Herb Kohl of Wisconsin.

Last year, the administration had an exemplary bill to introduce partial public financing of House and Senate campaigns, limit total expenditures and rein in PACs. But Democrats in the House and Senate failed to reach agreement on the formula until late in the session, by which time Republicans had devised their strategy of blocking everything.

The Democrats dithered in 1994, because too many were reluctant to give up business PAC money. Now that money is mostly gone. It should have gone from the system; instead, it's gone to the Republicans.

THE PRESIDENT HAS SEEN 4/17/95

Cross

Threat of a Benefits Cutoff: Will It Deter Pregnancies?

A1

By MIREYA NAVARRO

THE NEW YORK TIMES, MONDAY, APRIL 17, 1995

QUINCY, Fla. — Euranda Burns attends the 11th grade, goes roller skating and dancing on weekends and wears blue nail polish. At 16 years old, she also has a 22-month-old daughter and gets a welfare check.

The $181 welfare payment she receives each month from Aid to Families with Dependent Children, she said, covers her rent and utilities in the house she shares with a roommate in this rural town, which is just south of the Georgia border and one of Florida's poorest. Her mother, other relatives and the child's father help with the rest of her living costs.

She manages, the teen-ager said, but motherhood and its responsibilities, like getting up at 5 A.M. to get her daughter ready for day care and herself off to school, had not been in her plans so early in life. She would have had an abortion, she said, but she was four months pregnant by the time she went to the doctor.

"My mom cried," Ms. Burns said. "She said I should have told her so she could have put me on some type of birth control. But I was scared. How are you going to say it? 'Mom, I'm doing it?' "

Unmarried mothers under 18 like Ms. Burns are at the center of one of the most disputed provisions in the welfare legislation approved by the House and pending in the Senate. The Republican-sponsored House bill proposes to cut off cash payments to families headed by these teen-agers, in the hope that it will deter some from having babies.

Representative E. Clay Shaw, the Florida Republican who heads the Ways and Means subcommittee responsible for welfare programs, said the proposal would take away "the lure of the cash." Without the money, he said, "the mothers are going to be more careful" and use contraceptives.

It is an untried concept for girls in this age group, who make up less than 2 percent of A.F.D.C. cases but tend to remain in poverty long beyond their teens. There is only informed speculation about what the impact of such a change would be, in part because the mothers could begin receiving welfare checks once they turn 18.

Softening the practical effects, the House bill still would allow the teen-agers to receive Medicaid and food stamps. States could also grant vouchers to pay for diapers, clothing, school supplies and other items "suitable for the care of the child." These provisions are in an amendment that was added in an effort to placate abortion opponents who fear the new law would encourage pregnant teen-agers to have abor-

Continued on Page B7, Column 1

Rethinking Welfare

Teen-Age Mothers

A special report.

Continued From Page A1

tions.

Still, the proponents say the bill is a step toward changing the attitudes that public assistance is a right and that "irresponsible" behavior is accepted. Robert Rector, a senior policy analyst with the Heritage Foundation, a conservative research organization in Washington, said it "sends a message that begins to change norms."

Other experts on teen-age pregnancy say the proposed cutoff is just the opposite of what is needed, because it removes the leverage to push young mothers into the education and job training that could improve their future prospects.

Rebecca Maynard, a professor of education and public policy at the University of Pennsylvania who has studied programs for teen-age mothers, said that a cutoff of benefits would force some young mothers to stay with parents who were unable or unwilling to provide support or who had been abusive. And it may force others to "turn to the streets" to survive, she said.

The cutoff is a prime candidate for revision in the Senate. Apart from the concerns expressed by anti-abortion groups, many Democrats say the proposal would punish innocent children. And Republican Governors have called on the Senate to eliminate the mandatory cutoff of unwed teen-age mothers, letting the states decide on their own.

The Idea

Mixing Rewards With Sanctions

If recent childbearing trends continue, implementing the cutoff would result in denial of benefits to a total of 70,000 children over the next five years, Federal Department of Health and Human Services projections show. Although girls 17 and younger and their children account for less than 2 percent of A.F.D.C. cases, Federal welfare officials say the number of young mothers on welfare is actually higher, because thousands of them are included in households already on welfare.

Studies show that young mothers are also far more likely to stay on welfare. More than half of the women of all ages on welfare became mothers while still in their teens.

No state has yet tried cutting off the cash payments to teen-agers, but some states impose requirements to receive the benefits, including ones stipulating that the young women live with their parents. Demonstration projects in some states in which both sanctions and rewards were used to help the young women stay in school and prevent repeat pregnancies offer mixed results: they generally fail to prevent additional births but lead to more schooling.

A program tried in Chicago, Newark and Camden, N.J., from 1987 to 1991 offers one example. It required first-time teen-age mothers and welfare recipients to go to school, receive job training or work, or risk losing about $160 a month in benefits. Although it increased school and job training participation by 19 percent, researchers say the program had no effect on pregnancy rates, with about two-thirds of the 3,000 participants, who were 11 to 19 years old, becoming pregnant within 30 months. This was the same rate as that of a control group.

But the experts say they are learning lessons and that the right combination of sanctions and bonuses can do some good. Such opportunities for influence are lost if the mothers receive no benefits in the first place, they say.

"You're basically shutting the door," said Dr. Maynard, who studied the programs in New Jersey and Illinois. "We've got to send the message that it's not O.K. to have a baby and sit home and do nothing. Why should they listen to anything if we're not giving them something?"

Few teachers, welfare workers and other professionals who work with unmarried mothers say that denying cash benefits would significantly reduce out-of-wedlock births. They say children have children for a variety of reasons that have nothing to do with money, like poor contraceptive use, demands from boyfriends and low self-esteem. They say better answers lie in motivating teen-age girls to delay their first pregnancy through programs that offer mentors and other role models and in providing economic opportunities that give them career goals.

A.F.D.C. payments vary by state. Florida pays up to $241 a month to a mother with one child, which is among the lowest payment nationwide. Many teen-agers here are skeptical that losing the benefits would make any difference.

In interviews with more than a dozen first-time teen-age mothers on welfare in rural and urban areas in Florida, most said that conceiving the child was an accident, and that they considered welfare only after deciding to go forward with the pregnancy.

"It just happened," Makkedia Barnes, 16 and the mother of an 18-month-old boy, said in a typical explanation of why the pregnancy occurred.

Many experts predict that more girls would seek abortions, and some warn of more illegal, "back-alley" abortions because most states restrict public financing of the procedure. Already, over half the unmarried girls under 18 who become pregnant have abortions, said Kristin A. Moore, executive director of Child Trends, , a private research organization in Washington.

The prospect of more abortions has brought together unlikely allies, anti-abortion conservatives and women's groups, to try to defeat this and other welfare changes that would cut benefits to mothers.

In any case, despite the bill, many of the girls would see their pregnancies through, the experts predict.

"The biggest group would have the baby and be poorer than they would have been," said Robert C. Granger of the Manpower Demonstration Research Corporation, which studies welfare experiments around the country. "They'll patch together a life."

1/2

2/2

The Mothers

Relying on Family As a Safety Net

The unmarried teen-age mothers are a diverse group defying stereotypes. Many are the first in their families to receive welfare. Those who work with the girls say drug users are rare. Often the father is an older man, sometimes in his 30s or 40s.

Many are academic underachievers or dropouts, and come from chaotic or unsupportive families. Their common ground is age and the inability to plan ahead. Most end up on welfare because they are poor to begin with, unlikely to marry and have limited job and housing prospects, experts say. About two-thirds of girls under 18 nationwide remain with their families after having a baby, studies show.

Ms. Barnes, who attends the 10th grade in a teen-age parent program run by the Leon County schools in Tallahassee, Fla., has a family that makes motherhood viable. Her 14-year-old sister baby-sits her son, who Makkedia says looks just like his father, although the man denies the boy is his. Her single mother, Dorothy, provides shelter and a safety net if the $150 monthly welfare check she gets is not enough for her needs.

Dorothy Barnes, 36, presides over a cramped 3-bedroom house in Tallahassee that includes an 18-year-old son as well as her two daughters and grandson. Her authority seems to extend equally over all of them.

"What's wrong with him, Makkedia?" she asked from her living room recently, when she heard the toddler cry.

"Nothing," her daughter replied.

"Give him his bottle," she ordered. "Go clean him up."

Dorothy Barnes was once an unmarried teen-age mother on welfare herself, her "mistake," she said. Now she works in a school day-care center where she has seen mothers as young as 13. She still gets food stamps.

Dorothy Barnes said having three children kept her on welfare for nine years, and her hope is that her daughter stops at one. Every three months she makes sure Makkedia goes to the doctor to get an injection of Depo-Provera, a contraceptive drug.

"If she goes to school maybe she can go to college and make something of herself," Dorothy Barnes said. "I try to instill in her head: No more babies."

The Future

Trying to Break The Welfare Cycle

When the question of more children comes up, Makkedia and the other teen-agers interviewed rolled their eyes or shook their heads, invariably saying they would not get pregnant again for many years, if at all. But studies show that many young unwed mothers will have another baby while still in their teens.

Consistent contraceptive use is a big problem. Some teen-agers say they had tried the pill but it made them sick. Others relied on condoms that "popped," they said.

In a minority of instances, the pregnancy was intended. "I guess I was trying to keep the man," said Lafronyze Wright, 17, a welfare recipient who has a 9-month-old daughter and a 2-year-old son by two different fathers.

Most said they were not thinking when they had unprotected sex.

"I don't know what happened," said a 17-year-old who would give only her first name, Carla. She blushed as she related how she got pregnant by a boy she had just met at a party and whose name or whereabouts she does not know.

Now the mother of a 6-month-old boy, she rents a room in a house in Miami and tries to make ends meet with a $241 welfare check and $187 in food stamps a month. She has no other income and says she is usually short.

Like many of the teen-age mothers on their own, she said she could not stay with her parents because they told her to live elsewhere after she became pregnant. Welfare officials say many end up with boyfriends or sharing a household with others.

The teen-ager said an abortion was out of the question. "I didn't want to kill another person," she said. "I'd feel bad about it."

Other girls said they would have had an abortion but boyfriends and parents stopped them.

Euranda Burns and Carla are among the third of young mothers estimated to still be in high school. Studies show another third of teen-age mothers are dropouts and the rest graduated before they gave birth. In Florida and other states that have school and job requirements for welfare recipients, many of the young mothers attend alternative schools or high schools that provide day care and family planning services.

Some of the young mothers interviewed seemed almost indifferent to the idea of losing A.F.D.C. benefits. They said the money was so inadequate that they could make do by having relatives and boyfriends pitch in more, or by getting jobs at fast food restaurants.

But some argued that they were not abusing the system and that they needed the help in order to improve their chances of having jobs later on.

"In a way I don't blame them because there are women who just keep having babies and know they can't take care of them," Ms. Wright said of the backers of the welfare proposal. "But if you try to go to school and to take care of your child they should help you. I hope they help me until I go to college."

Ms. Burns, like most of the teen-agers interviewed, said she wished she had waited longer to have a baby. Sexually active since "the day before I turned 12," she said, she now has Norplant long-term contraceptive capsules imbedded in her left arm.

The father of her child helps her with expenses and showers her with gifts, from the Valentine's Day heart-shaped balloon that hung, half-deflated, from her living room ceiling to a gold ring in the shape of a machine gun, one of 8 she wears. But Ms. Burns broke up with him, she said, because she suspected he got another girl pregnant.

As she tries to finish high school in a teen-age parent program and tends to her irascible 22 month old, Meschalonte, who wears her mother's blue nail polish, Ms. Burns, like many others, says she does not worry about becoming a chronic welfare case. She plans to finish high school and go to a vocational school to train as a cosmetologist and a computer programmer.

"I swore my baby wouldn't slow me down," she said. "As soon as I get a job, I'll be off welfare."

THE NEW YORK TIMES, MONDAY, APRIL 17, 1995

To Mark

Fyi —

THE PRESIDENT HAS SEEN
4/17/95

BC

mary mcgrory April 14, 1995

Dear Mr President —

Thank you for your kind hospitality. The ride home on your Magic Carpet made a memorable day more so.

I enjoyed everything: your encounter with two months old Joseph at Fort Benning - his mother was much impressed by your grasp - your coaching on the top-step wave and the comfort and chat on Air Force One. Beats Delta coach all the way.

Wasn't Warm Springs wonderful?

I wish you and Hillary and Chelsea a Happy Easter.

Sincerely,
Mary McG.

THE PRESIDENT HAS SEEN
4/17/95

THE NEW YORK TIMES, SUNDAY, APRIL 16, 1995

In Sri Lanka, Glimmer of Peace After Years of War

A truce with the Tamil Tigers has held, and talks havebeen pursued.

By JOHN F. BURNS

COLOMBO, Sri Lanka, April 15 — After years of war between the Sri Lankan Government and ethnic Tamil nationalists that have left more than 34,000 people dead and led to the effective secession of a large Tamil-inhabited region around Jaffna, the country's second largest city, this island nation passed a milestone this week on the way to what many hope will be a permanent peace.

For three months, the country has been under a cease-fire, the longest since the war began in 1982.

What's more, there has been a new round of concessions by the Government of President Chandrika Bandaranaike Kumaratunga to the Tamil Tigers, the separatist guerrilla group that grew out of widespread grievances against what was seen as routine discrimination against the mainly Hindu Tamils by the ethnic Sinhalese majority, who are mostly Buddhists.

In the eight months since her pledge toward peace helped her win an election victory, Mrs. Kumaratunga, who is 49, has raised widespread hopes in this country of 18 million people. Years of jungle warfare and political assassinations have given way, since January, to a military standstill between Government forces and Tiger units, and the two sides have held several rounds of direct talks in Jaffna, the Tiger stronghold in northern Sri Lanka.

The latest round of talks, held this week, ended with Mrs. Kumaratunga's bowing to two key demands put forward by Vellupillai Prabhakaran, the 41-year-old leader of the Liberation Tigers of Tamil Eelam.

Continuing a process she began immediately after the election in August, Mrs. Kumaratunga struck another key commodity, vehicle fuel, from a list of embargoed products that Government forces besieging Jaffna have kept from the Tigers and the 750,000 people living under their control. The embargo list, once several pages long, and including such items as candles and female sanitary pads, is now down to eight items, including weapons, explosives, remote control devices and compasses.

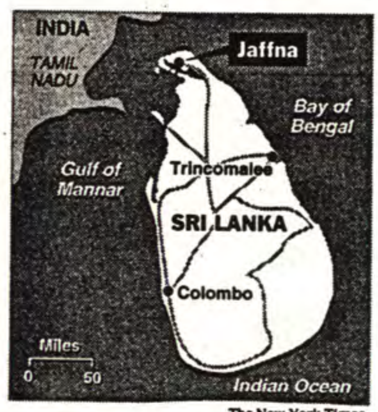
Reuters

Chandrika Bandaranaike Kumaratunga of Sri Lanka, who addressed the nation in November after assuming the presidency, has raised hopes for peace after granting concessions to a separatist guerrilla group.

Mrs. Kumaratunga also went most of the way to meeting a Tiger demand for the right to send fishing boats freely into waters surrounding the Jaffna peninsula, although no Tiger boats would be allowed within a sea radius of two miles from Government military installations along the coast.

By meeting a rebel deadline of April 19 for new concessions, the Government appeared to have kept the peace talks alive. Mr. Prabhakaran has repeatedly threatened to end the cease-fire if Mrs. Kumaratunga does not grant a further concession that she again refused this week, the dismantling of the Poonerуn army and navy base, immediately facing the Jaffna waterfront, where 5,000 Government troops form the linchpin of Government deployments in the north.

While the talks seem likely to continue, Mrs. Kumaratunga's supporters are worried that the Government's concessions have not won reciprocal concessions. The Tigers' refusal until now to begin political discussions on what most in Sri Lanka regard as the only viable compromise — a reshaping of Sri Lanka along federal lines, with a new Tamil-ruled province in areas now under Tiger rule — has increased concerns that the Tigers may not be seriously interested in any political settlement short of independence.



The New York Times

Tamil nationalists and the Government held talks in Jaffna.

"We are reaching the point where she'll have to say, 'I'm sorry, I can't go any further, the stability of my Government is at risk,'" said Neelan Tiruchelvam, a Harvard-educated lawyer, himself a Tamil, who is one of a small group of advisers to Mrs. Kumaratunga on the peace talks. Like many in Colombo, the capital, Mr. Tiruchelvam believes Mrs. Kumaratunga must tread carefully if she is to avoid provoking a backlash among nationalists in her own ethnic constituency, the Sinhalese, who account for about 75 per cent of Sri Lanka's population.

The talks have also been dogged by doubts on the Government side about the rebel group's willingness to give up its long-stated political goal, the establishment of a separate state that they have called Tamil Eelam, meaning Tamil nation, for the roughly 3.5 million Sri Lankan Tamils.

Because nothing has occurred to threaten the Tigers' apparently firm control of the Jaffna peninsula and of wide areas of Sri Lanka's northern and north-eastern regions, many Sri Lankans question why the Tigers would drop their demand for independence, as some Tiger spokesmen have suggested they may. Much of the skepticism focuses on the elusive Mr. Prabhakaran, who has left the peace talks in Jaffna — and all statements about the Tigers' political objectives — to subordinates, saying nothing himself to suggest that he has given up on a separate Tamil state.

Others believe it is too early to judge Tiger objectives, and too early to assess Mrs. Kumaratunga's success in an objective she declared for the peace talks when they began last October — changing the siege mentality of the Tiger leadership, and of Tamils under their control, by easing the Jaffna siege and encouraging a return to normal living. Mr. Tiruchelvam, among others, said that Mr. Prabhakaran would be bound to be cautious about renouncing independence at this stage of talks, since the Tiger movement has been based on the idea.

"Independence has been a psychological and emotional commitment for the Tigers — a religion, if you will," Mr. Tiruchelvam said. "The principle tenet of that religion has been the inevitability of a separate state. If the supreme leader undermines that tenet, the ideological coherence of the religion collapses."

To HRC

To HRC

Children Bear Brunt of Modern Wars

Rebel Armies, Counterinsurgencies Create Young Soldiers—and Casualties

By Molly Moore
and John Ward Anderson
Washington Post Foreign Service

A1

KABUL, Afghanistan—Not one of Shal Gul's seven children can remember peace. In the 16 years since the first was born, they have seen war kill their father, destroy their home, rob them of their education and force the eldest brother into combat as a child soldier.

When war drove them to take refuge in a looted schoolhouse with only a ragged burlap wall to separate them from the cooking fires of 100 other homeless families, and with barely enough flour and rice to make a meal each night, Shal Gul's children thought things couldn't get much worse. Then one morning this winter, a rocket killed their 6-year-old brother as he stepped out of the school building to seek food.

"Everything is very difficult," said Lilla, 15, the oldest daughter, who spends most of her time waiting for lulls in the rocket barrages to haul water and cook for her siblings. "I would not bring a child into this world."

In Afghanistan, an entire generation has been raised amid one of the world's longest-running and most devastating wars—first in 11 years of a brutal Cold War power struggle fueled by the Soviet Union and the United States and, for the past three years, in a renewal of centuries-old tribal conflicts.

In this war and others around the globe this century, children increasingly have become casualties of armed conflict. While war was once fought largely between nations on military battlefields, today's deadliest wars are often guerrilla fights waged within national borders by feuding ethnic, religious and tribal groups using tactics that frequently include targeting and terrorizing civilian populations.

"At one time, wars were fought between armies," said a new U.N. report titled "The State of the World's Children," which added, "But in the wars of the last decade, far more children than soldiers have been killed and disabled."

During this century, the proportion of civilian to military casualties has increased from 5 percent in World War I to 50 percent in World War II to 90 percent in the conflicts of the last few decades. According to studies by UNICEF and other groups, most civilian casualties are children and women.

The numbers relating to children are staggering. In the last 10 years, 2 million children have died in wars, between 4 million and 5 million have been physically disabled, more than 5 million have been forced into refugee camps, and more than 12 million have been left homeless, UNICEF estimated. Last year, as many as 100,000 children reportedly were killed in just a few months in Rwanda.

Around the world, the fields in which children work and play are laced with 100 million mines. Boys as young as 9 are coerced or lured into becoming soldiers, even though international protocols forbid the use of children under 15 as soldiers. Those who do not take up arms are left to fight other battles, supporting families in which one or both parents have been killed, or struggling to survive on their own as orphans and street children.

Afghanistan provides a stark example of the impact of war on children. Here, a generation has been born into a country so ravaged by war that 1 of every 4 children dies before reaching age 5; the average life expectancy is 44, second lowest on the globe; nutrition levels are the poorest in the world; and primary school enrollments are the world's lowest, with the exception of Somalia, another country torn by tribal warfare. An estimated 60,000 children are in need of artificial limbs because of land-mine and other war injuries.

For societies in which war has stripped young people of families and homes, of education and jobs, the future of rebuilding nations and governments is bleak.

"The fundamental issue is what to do for a lost generation of people who are 27 or 28 and who have held a rifle since they were 15 or 16," said Bob McKerrow, Kabul chief of the International Federation of the Red Cross and Red Crescent Societies. "What are you going to do with half a million trigger-happy people? They can't all be watchmen for foreign embassies."

Recruiting Young Tigers

In Sri Lanka, a tear-shaped island south of India where more than 50,000 people have been killed in a 12-year-old ethnic civil war, rebels conduct "recruiting drives" twice a year at one of the largest boys' schools on the Jaffna peninsula, where fighting has been heaviest.

Using fiery speeches and provocative pictures, rebels called Liberation Tigers of Tamil Eelam whip youngsters into a frenzy and persuade them to enlist, according to the school's principal, who asked not to be identified for fear of retribution. The children are taken directly from the school to training camps, without their parents being notified, he said.

"The speeches are so forceful and the youngsters are so naive," the principal said in an interview. "Most of them want to return home, but they are given punishments that are so severe, after one or two weeks they say, 'We'll stay with you.' "

The deepest impact of war on children often comes when they are drawn into conflict as combatants, according to experts. In wars across the globe, children are used by armies as front-line cannon fodder, human minesweepers and spies.

While their size, stamina and agility make children uniquely qualified for some military jobs, they generally are used only when armies face a manpower shortage. But with technological advances making weapons lighter, simpler and deadlier, it has become easier for armed groups to use children in battle.

Uneducated and vulnerable, they are subjected to brainwashing and manipulation that can turn them into the fiercest and most obedient fighters.

During the 1980-88 Iran-Iraq war, Iran employed children as human minesweepers, sending them in waves over the border into Iraq. Hundreds who survived spent years in Iraqi POW camps.

In Afghanistan, where there is conscription at age 15—the lowest in the world—it is common to see baby-faced boys atop tanks and standing guard at roadside checkpoints shouldering weapons larger than themselves.

Three years ago, when militant Islamic forces toppled the communist-backed government and began fighting among themselves for control of the capital, one of the first buildings in Kabul to be hit by rockets was an orphanage housing 1,200 youngsters.

"The older ones were kidnapped to fight, and they kept the younger ones for shepherds for the armies," said Hossain Ali, a teacher at the orphanage. He said that when the rocket attacks, looting and kidnapping were over, teachers could find only 30 of the orphans.

In Sudan, as many as 12,500 boys aged 9 to 16 were taken from their families by rebel forces "trying to ensure a future supply of fighters," according to a 1992 report by the U.N. High Commissioner for Refugees, which said one criterion for conscription "was the presence of two molar teeth."

Just as often, however, armed groups use more subtle means of persuasion in recruiting child soldiers. Children who have been separated from their parents gravitate to military organizations for role models and a sense of security and belonging. Membership in such groups provides some youngsters and their relatives with hard-to-find food, medicine, clothing and shelter. Often, youths whose families have been victimized join armed groups to seek revenge, sometimes egged on by nationalist, ethnic or religious propaganda, or by simple peer pressure.

Once they have brought children into their ranks, some combatant groups show little restraint in their efforts to keep them. In Liberia, where UNICEF estimates 6,000 children are fighting in a five-year-old civil war, factions have intimidated and tortured their young fighters and plied with them with alcohol, drugs and a mixture of cane juice and gunpowder that is supposed to instill courage, according to a report by Human Rights Watch/Africa.

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TO VP — Fyi — BC

Britain Is Streamlining Its Bureaucracy, Partly by Privatizing Some Work

Early cost-cutting success draws U.S. attention.

THE NEW YORK TIMES, SUNDAY, APRIL 16, 1995

THE PRESIDENT HAS SEEN 5/17/95

By RICHARD W. STEVENSON

LONDON, April 15 — At a time when voters nearly everywhere are demanding more efficiency from government, Britain has undertaken one of the world's most comprehensive efforts to slash costs and improve services.

The Conservative Government transformed the nation's economy in the 1980's under Prime Minister Margaret Thatcher by throwing slow-moving, inefficient state-owned industries into the free-market fray. Now her successor, John Major, is applying the same market-oriented ideology to the Government bureaucracy by making it compete with the private sector and meet explicit performance goals.

Britain's program, which has been put into place gradually over the last several years, is being studied by Vice President Al Gore's staff as part of his program to reduce Government waste and red tape. The British program's breadth, the Government's strong commitment to it and early signs of success make it a fertile source of ideas for similar programs in the United States and elsewhere, experts say.

"There's a lot to be learned from their experience, and thematically the two efforts are very much linked around the notion of service to citizens," said Elaine C. Kamarck, the head of the program in Mr. Gore's office.

Like many countries, Britain has put a heavy emphasis on reducing costs by bringing in outside concerns for routine tasks. This effort was estimated to have saved 20 percent of costs for the agencies involved. It also serves as a warning to civil servants that they could lose their jobs unless they find ways to cut costs and improve quality.

But Britain's program goes farther by clarifying what is expected of agencies, requiring them to set and meet performance targets, and by giving them more flexibility.

In one of the sharpest changes, the Prison Service has hired outside contractors to run four of its 128 prisons, saving up to 25 percent a prisoner in operating costs. It is about to award contracts to private companies to design, build and manage two more prisons. It has also contracted privately for the job of transporting prisoners in some regions between jails and courts.

Civil service unions and the opposition Labor Party have attacked the program for creating hardships by eliminating or transferring to the private sector 27,000 of more than 500,000 civil service positions in the last three years. And they have criticized Mr. Major's administration for placing too much emphasis on what they consider dubious measurements of bottom-line savings and for diminishing direct Government accountability for public services.

Critics have also attacked the Government for spending too much in the drive to find more efficient ways of operating. The opposition Liberal Democrats calculated that the Government spent $1.36 billion last year hiring outside consultants. The level was 17 percent higher than the previous year, and few Government departments would or could identify any resulting savings.

"The Government record on management consultants is spend, spend, spend in direct contrast to the cut, cut, cut they've imposed on the British people," said Malcolm Bruce, a Member of Parliament who conducted the Liberal Democrats' study.

Because the program is difficult to explain, the public has taken notice largely when something went wrong. But there is little question that the program has had an effect. The Passport Agency found that it could save $2 million a year by having outside companies print passports. The Inland Revenue Service, the tax agency, found that it could save up to $300 million over the next decade by contracting out the management of its data bases and computer systems.

The Driver Vehicle and Licensing Agency met its goal of improving overall efficiency by 2.5 percent. Smaller countries have also attacked Government waste and inefficiency. What sets Britain's program apart, experts said, is its progress in breaking a large bureaucracy down into smaller units, each with its own chief executive and its own contract with the Government that sets financial and performance targets.

"The U.K. has gone gone further in reinventing government than any other country than New Zealand," said David Osborne, who runs the Reinventing Government Network, a consulting concern based in St. Paul, Minn. "What they have in place in Britain is a very powerful framework."

The British efficiency effort has three major parts. The "citizen's charter" requires all agencies that deal directly with the public to publish service standards and quality goals and to announce each year how well they have done. The market testing program encourages agencies to buy goods and services from private companies when it will save money. And the "next steps" program has created more than 100 agencies out of the much larger Government departments, defined their jobs and required them to set measurable goals each year.

Although there are no immediate penalties for failure, the program increasingly ties the pay and promotion prospects of civil servants running the agencies to their success in meeting their targets. The Government is hiring more officials from the private sector to run the agencies, and putting them on fixed-term contracts that allow them to be dismissed if they do not get results. Some contracts provide for bonuses if they meet their goals.

The "next step" agencies operate under the umbrella of half a dozen major Government departments. In addition to the tax agency and the Royal Mint, the new agencies have functions as diverse as cartography, veterinary laboratory services, quality control for medicines and army base repair.

The Prison Service, for instance, technically remains part of the Home Office, the nation's biggest bureaucracy, but in practice has been reorganized under its own chief executive and its own board of directors and given more freedom to adopt new operating policies.

Last year, the Prison Service's goals were to reduce the number of escapes, to reduce overcrowding, to increase the number of prisoners with 24-hour access to bathrooms, to insure that prisoners spent more time in "purposeful" activity, to increase the proportion of prisoners able to leave their cells for at least 12 hours a day, to give a larger number of prisoners more than their minimum visiting rights, and to bring down per-prisoner costs. It met its targets in all but one area.

By the Government's accounting, the early stages of the program have yielded encouraging results in most agencies. In the 30 months that ended on Sept. 30, Government agencies had conducted 799 "market tests" to see whether using private contractors would save money.

The reviews covered nearly $3.2 billion of Government work, and resulted in more than $1.8 billion in contracts going to the private sector. The Government calculated the overall savings at nearly $650 million, or about 20 percent.

Of the 275 quality targets set by the 104 agencies taking part in the program last year, 214 were met, according to Government figures. Of 137 financial targets, 109 were met.

Critics argued that the statistics overstate the real savings, especially when job losses are taken into account. But the Government remains unswayed by opponents of its market-oriented approach.

"In the 1970's we said government should not be involved in making steel or cars or running the telephone system," Mr. Clarke said. "So it will be with the reform of the working of government. Ten years from now many people will be wondering what all the fuss was about."

A CLOSER LOOK

Overhauling Britain's Bureaucracy

1994 performance goals for 104 agenies.

	Set	Achieved
Quality Targets	275	214
Financial Targets	137	109
Efficiency Targets	147	127

CASE STUDIES Goals achieved by three agencies.

Driver/Vehicle Licensing Agency

GOALS ACHIEVED

Improve overall efficiency by 2.5 percent.

Issue 95 percent of professional licenses in 11 days.

Issue 95 percent of learners' permits within 12 days.

Issue 95 percent of ordinary drivers' licenses within 13 days.

Issue 95 percent of changes in vehicle registration within 13 days.

Answer 90 percent of written inquiries within eight days.

Complete 445,000 enforcement cases.

GOALS NOT MET

Answer 80 percent of phone calls within 30 seconds.

Passport Agency

GOALS ACHIEVED

Process all normal applications in an average of less than nine working days, down from three-and-a-half weeks several years ago.

Process applications in maximum of 20 working days during peak periods.

Reduce the cost per passport issued by at least 3 percent after accounting for inflation.

Fire Service College

GOALS ACHIEVED

Have 99 percent of students complete training courses.

Have 75 percent of students express satisfaction.

GOALS NOT MET

Break even financially.

Keep unit cost per student per week to $1,250.

Source: British Government Next Steps Review 1994

THE PRESIDENT HAS SEEN
4/17/95

To LP
Do we need another push to increase participation in this? —
BC

THE FEDERAL DIARY

Pension Cliffhanger

By Mike Causey
Washington Post Staff Writer

Federal employees hoping for a quick and happy solution to the congressional effort to make them pay more for reduced pensions may be in for a long wait. The pension fight, which is of major concern to 2.6 million civil servants and their families, is only a small part of the deficit-reduction and tax-cut efforts in Congress.

The House has passed a tax-cut bill. It would make significant, but not life-threatening, changes to the federal retirement program. In short, it would force feds to pay more for their annuities and give them slightly reduced pensions if they retire after the changes go into effect.

The plan, which still must clear the Senate, would raise employee contributions to the retirement fund 2.5 percent over a three-year period starting next year. Workers under the old Civil Service Retirement System would see their contributions rise from 7 to 9.5 percent, and those under the Federal Employees Retirement System would wind up paying 3.3 percent, instead of their current 0.8 percent rate.

The effect would be a cut in take-home pay of about 4 percent. That would offset the 2.4 percent pay raise President Clinton is proposing for 1996. The Federal Managers Association estimates that a Grade 9 worker making slightly less than $30,000 a year would have his take-home pay reduced by $3,500 during the next five years. The reduction for an employee making $42,000 would be almost $11,000 during the next five years, according to the FMA.

Another part of the House-passed tax cut would change the formula used to compute annuities. Pensions now are based on an employee's highest three-year average salary. That would change to a high-four system for people retiring in 1996 and go to a high-five system for anyone retiring in 1997 or thereafter. The Congressional Budget Office estimates that switching from the high-three to the high-five formula would reduce lifetime retirement benefits.

Senate leaders have indicated that it is silly to talk about tax cuts—even if the offsetting revenue losses are made up by the surtax on federal employee retirement contributions—until meaningful action is taken on deficit reduction. Polls indicate that Americans are more eager to cut the deficit than to get a tax cut.

Lobbyists representing feds and retirees expect the pay-more, get-less pension plan to be part of the House and Senate budget resolutions, which will be introduced when Congress gets back from its Easter recess. But it could be late summer or early fall before feds find out what changes might be made in their retirement program.

Many retirement-age employees who had planned to leave in the next few years are looking at retiring this year if the retirement plan changes become law. By the same token, some feds who will become eligible for retirement in the next couple of years are wondering whether, if the pension changes take place, they will have to work longer to beef up their benefits.

Aside from the uncertainty facing many feds, morale is suffering because many employees have concluded that their government isn't honoring the employment contract.

Buyouts

More than 70,000 federal workers, most of them civilians with the Navy and Army departments, have taken buyouts. Non-Defense Department agencies made their final buyout offers last month. Defense will offer buyouts through 1999. Most agencies have authority until Sept. 30 to offer early-outs, which permit workers to retire at age 50 with 20 years of service or at any age with 25 years.

Some feds have refused early-outs, hoping Congress will waive the pension reduction (2 percent for each year the retiree is younger than 55) through some kind of secret deal in the works. White House and congressional sources say there is no plan to waive the early-retirement penalty.

Sunday, April 16, 1995

THE WASHINGTON POST SUNDAY, APRIL 16, 1995

In speech, Powell supports affirmative action
By Karen Ball New York Daily News

Retired Gen. Colin Powell supports affirmative action and thinks minorities are still being shut out of job opportunities.

His stand, laid out for the first time in an address last week to a boy's prep school in Newark, N.J., could hurt him with Republicans who want him to run for the White House or be their vice presidential candidate in 1996.

Powell also has hinted at a third-party candidacy, and his luster among independent-minded white voters would likely be dulled, too, by favoring affirmative action.

The former Joint Chiefs of Staff chairman has been coy about taking positions on policy matters while he mulls a presidential bid a decision not expected until at least the fall.

The Daily News learned of his affirmative action comments because one of the paper's editorial writers, Jonathan Capehart, is an alumus of St. Benedict's Prep in Newark and was in the room when a student asked where Powell stood on affirmative action.

``He was unequivocal in his support for it," Capehart said.

Powell echoing what President Clinton has proposed said it was time for a review of such programs. But he added: ``I don't want someone to give me a job just because I'm black," Capehart said.

``He was adamant when he said that the notion that affirmative action should be completely stripped away was ridiculous," Capehart said.

``Anyone who would suggest that racism is a thing of the past is wrong," Capehart quoted Powell as saying. ``People are still being denied access to jobs because of the color of their skin."

Many Republicans including GOP presidential front-runner Sen. Bob Dole of Kansas have launched an assault on affirmative action programs. Powell's comments are particularly interesting because he has met with Dole recently, and many speculate a ``Dole-Powell" ticket might be unstoppable.

David Tell of the Project for the Republican Future said it is hard to tell how damaging Powell's stand might be until he gives a definitive speech on the matter. One issue might not hurt someone with broad appeal, he added.

``On the other hand there is a general hostility to government-enforced race preferences," Tell said. ``If he is a full-throated and unmodulated advocate of affirmative action into the future, he's out of tune with American thinking ... and he's out of kilter with Republican primary voters."

Powell spokesman Bill Smullen angrily declined to comment, saying Powell's quotes were intended for a private audience.

Asked to explain Powell's position on affirmative action, Smullen noted Powell had served in the military for 35 years where ``hundreds of thousands of minorities who otherwise might not have the opportunity to show their skills," were given a chance.

``His position on affirmative action and equal opportunity is that it has worked for that institution (the military)...but it should be merit-based," Smullen said. ``You give an opportunity to anybody who meets a standard, and then once they cross the threshold of opportunity, then their advancement is based on merit."

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THE PRESIDENT HAS SEEN
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THE PRESIDENT HAS SEEN
4/17/95

Erskine
can we do anything to help w/ any of our conversion efforts? DOL, DOD, Commerce? — BC

Taking A Painful Plunge

Lockheed Martin Prepares To Let People and Plants Go

By John Mintz
Washington Post Staff Writer

It has happened at nearly all 50 plants that Daniel M. Tellep and Norman R. Augustine, the leaders of the newly merged Lockheed Martin Corp., have visited since the March 15 deal—from Baltimore to Denver to Syracuse, N.Y. The mood in the room will grow tense, and an employee will stand and ask: Do you plan to close us down?

The two men will then try to explain the savage reality of the defense industry in 1995. "It's true that unfortunately there will be some layoffs," Tellep, the chairman, told hundreds of workers at an F-16 fighter plant in Fort Worth last month. "But there would have been layoffs at both companies even if the merger hadn't taken place."

The birth of the Bethesda-based Lockheed Martin is likely to benefit stockholders and taxpayers by creating a more efficient company that can cut the Pentagon's costs for F-16s and missiles. But it is also certain to create anxiety for thousands of defense industry families.

In the next two years, the new firm is likely to shed 25,000 to 40,000 of its 170,000 employees, in one of American business's largest layoffs in memory, industry experts said.

The stakes in this radical reorganization are enormous for Lockheed Martin, the world's biggest defense and space company. It has given itself an extremely ambitious deadline: By June 30, it will announce which divisions will be cut and which will survive.

There could be no more painful moment for two old aerospace companies with traditions of paternalism toward employees, the two firms' veterans say. Nobody wants to push employees out the door, yet the company knows it must do so.

"I see real agony there," John Egan, the new firm's vice president for corporate development, said of Tellep and president Augustine. "They're people people at heart."

The company says it's impossible to predict now exactly how many employees will be laid off and where. "Talk of certain facilities closing or having work transferred away is purely speculative and unnecessarily creates anxiety among employees," said spokesman Charles Manor.

See MERGER, H6, Col. 1

At the same time, Lockheed Martin also will be renegotiating relations with all its subcontractors, and trying to blend two corporate cultures into one—merging two health plans, two payroll systems, two computer networks, two marketing organizations, two ethics codes, two security systems, two research staffs and more.

"We're creating a new company, so we're picking the best processes and procedures from each," said Michael Smith, international marketing vice president and head of a key transition team. "All this causes unease, but in aerospace you have to be comfortable with the ambiguity that comes with change."

There's ambiguity, moreover, in upper management. Most of the predecessor firms' senior executives have retired in recent months, or will do so soon, including A. Thomas Young, Martin Marietta's president and one-time heir-apparent, and Vincent Marafino, Lockheed's vice chairman. The void at the top means there will be a struggle—starting now—for the ranking jobs, company insiders said.

The top position is not in question. Augustine, 59, will move from president to chief executive later this year; he will become chairman next year, with the phased departure of Tellep, 63, who headed Lockheed. Augustine was chairman and CEO at Martin Marietta Corp.

Layoffs will be first on the agenda. The main rationale for the merger was saving the company and the federal government $3 billion in costs over the next five years by cutting redundancies and overlapping staffs, and reducing the merged company's 50 million square feet of factories, offices and labs.

Industry executives predict that the Lockheed Martin cuts will continue the recent defense industry pattern—hollowing out the industry from its traditional home bases in California and the Northeast United States (with their high wages, taxes, and utility and environmental costs) and moving to states such as Georgia, Florida, Texas and Arizona.

Already, senators, governors, mayors and chambers of commerce are calling the Bethesda headquarters to plead with the firm to spare facilities in their jurisdictions, company sources said.

The company expects a repetition of the lobbying campaigns of 1993, when Martin Marietta began to lay off 11,000 people after acquiring General Electric Co.'s aerospace division. In the months before those decisions, Augustine received calls or letters from countless politicians, from New York Gov. Mario Cuomo to Sen. Edward M. Kennedy (D-Mass.) and Sen. Patrick J. Leahy (D-Vt.).

But the lobbying didn't do much good, company officials said. While Augustine heard out cities' and states' offers of tax breaks and other incentives, officials said the decisions about where to close plants in 1993 were made almost entirely "by the numbers."

Company insiders say the key questions, then and now, are simple: Where can the best-quality work be done most efficiently, and at least cost? Is a factory's business base sound? Where are la-

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THE WASHINGTON POST SUNDAY, APRIL 16, 1995

Tony - what do you think of this? - BC

THE PRESIDENT HAS SEEN
5/17/95

Lee H. Hamilton

In Bosnia: No Peace, No Peacekeepers

Bosnia is once again at a turning point. The United States and its allies are mired in the conflict. Western diplomats are weary and frustrated as they contemplate the onset of a fourth, futile year of war.

The present situation is unacceptable in all respects. A diplomatic solution remains distant. The current cease-fire has been shattered, and the parties are preparing for further war. The conflict is likely to continue indefinitely and could intensify. The Balkan leaders seem to want to keep fighting. There is a high risk of American involvement as the parties try to draw the United States into the conflict.

For all these reasons, we need some fresh thinking.

The absurdity of the situation is reflected in the most recent round of what passes for diplomacy in this conflict. Leaders of Croatia, Bosnia and Macedonia issued "ultimatums" to the United Nations demanding a renegotiation of terms under which U.N. troops (UNPROFOR) would remain in their respective countries.

It was as if the countries hosting the UNPROFOR forces were doing the United Nations, and those nations providing troops a favor by letting them stay.

The United States and its allies are also frustrated over the issue of sanctions against Serbia. International mediators are trying to find a formula that will allow the suspension of economic sanctions against Serbia, in return for Serb recognition of Bosnia and Croatia. Yet the Serb leaders are cynically moving the goal posts to avoid a result that seemingly is in their interests.

The dynamic of this diplomacy is all wrong—and demeaning. We should not beg the warring parties in former Yugoslavia to allow us to keep troops on the ground in their countries. We should no longer plead with them to compromise.

Instead, we should tell them that our patience and the length of our commitment are limited. At this point, the United States and the international community simply do not have the will or the power to resolve this conflict without the cooperation of the parties themselves. We must make clear once and for all the limits of our involvement.

For nearly four years we have tried hard to stop the wars in the former Yugoslavia. Many U.N. and other personnel have died or been injured trying to carry on a humanitarian mission under difficult conditions. The United States and its allies have been criticized for not being forceful enough, yet it is undeniable that the work of UNPROFOR in the former Yugoslavia, flawed as it may be, has saved literally hundreds of thousands of lives.

What we need is a new approach that will get the attention of leaders of the region, some of whom have grown rich and powerful during this war while their people suffered. This new approach must be one that the Balkan leaders cannot misconstrue or ignore: an ultimatum of our own.

The United States should immediately begin discussions with its allies in the contact group—those whose troops make up the backbone of the UNPROFOR force—to set a final deadline for the continuation of UNPROFOR in Croatia and Bosnia.

The deadline should stipulate that all UNPROFOR troops, or at least those from NATO countries, will be removed from both countries at the end of the next U.N. mandate, Nov. 30, unless:

- All parties have agreed to an open-ended cease-fire and cessation of hostilities and have begun to implement them.
- All parties have reached agreement on an overall political framework for resolution of the conflict, be it the contact group plan, the Zagreb-4 plan for Croatia or some other plan.

Troops removed from Bosnia and Croatia should be redeployed, as necessary, along international borders with the former Yugoslavia, but only to prevent spill-over of the conflict.

Some will caution that the removal of UNPROFOR and a wider war within former Yugoslavia will simply lead to civilian casualties and refugees. Yet this bad option is better than an indefinite continuation of the Yugoslav wars. The longer the current, unproductive dynamic continues, the more likely that leaders in the region will keep fighting—and try to draw us into their conflict.

We must impress upon the leaders of the former Yugoslavia that we will be manipulated no longer. They know full well they have benefited from the U.N. presence and will suffer if it leaves. If they are intent on continuing the carnage, they will be doing so on their own.

I am not advocating the immediate withdrawal of UNPROFOR. It is far better if UNPROFOR can stay—both to accomplish its indispensable humanitarian mission and because President Clinton has committed U.S. troops to help if UNPROFOR must leave.

Yet I fear that the United States and its allies may be trapped indefinitely in the former Yugoslavia. This compels me to advocate this new approach to break the cycle of violence.

If the leaders of the region are convinced that the threat of a U.N. pullout is for real—that the international community is ready to give up and leave them to their own bloody devices—they may be more amenable to making peace. To paraphrase Samuel Johnson, the prospect of an all-out war may be the only way to concentrate the parties to negotiate a comprehensive peace.

The writer, a representative from Indiana, is ranking Democrat on the House International Relations Committee.

THE WASHINGTON POST SUNDAY, APRIL 16, 1995

THE PRESIDENT HAS SEEN
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THE WHITE HOUSE

WASHINGTON

95 APR 14 P5:09

April 14, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Doug Sosnik

RE: Weekly Report

1996 Presidential News

Bob Dole. Dole announced this week and he had very good coverage as he barnstormed through several states. In New Hampshire, where Dole was greeted by 1,500 people at his announcement event, Rep. Bill Zeliff (R) finally went public and said he would endorse Dole. In North Carolina, Dole named Sen. Lauch Faircloth (R) and former Gov. Jim Martin (R) as honorary chairs and picked up the endorsement of House Republican Leader Leo Daughtrey (R). Reps. Richard Burr (R) and Howard Coble (R) are also expected to endorse Dole. (Daughtrey even predicted that Dole would pick up Jesse Helms' endorsement but Helms, while praising Dole, said that he doesn't "get involved" in primaries. Helms also noted that he will attend a Phil Gramm fundraiser in North Carolina next week.) His success at lining up support in North Carolina has attracted notice since many feel his inability to win the state on Super Tuesday in 1988 signalled the end of his candidacy.

Dole then traveled to Gramm country, attending a Dallas fundraiser organized by businessman T. Boone Pickens.

Gramm and Dole in Florida. Senator Gramm campaigned in Tallahassee, Florida this week, attempting to garner support among GOP legislative leaders and statewide elected officials. Gramm publicly predicted a first place win for himself in the November, 1995 GOP straw poll. Senator Dole completed a fundraising swing through South Florida, raising over $500,000. At a Fort Lauderdale GOP fundraiser, he openly called for a U.S. policy to oust Fidel Castro from Cuba. Following in your footsteps, Dole will return to Florida next week and address a joint session of the Florida legislature. Clips are attached.

Should we consider this

Governor Wilson. Employing an unusual high-level phone bank operation, Wilson operatives claim to have secured over $8 million in pledges in just three days of phoning. Top executives and business lobbyists from throughout the state called their associates and lists prepared by the Wilson campaign to jumpstart his presidential fundraising effort. Wilson has outpatient surgery today to remove a throat nodule.

Colin Powell. News accounts on Thursday reported that Colin Powell is not actively considering a presidential bid, at least for the time being. His spokesperson said that Powell is "flattered" by the speculation but that the Presidency is "not something he has aspired to." The reports also noted that Powell is serving as an informal advisor to Bob Dole on foreign policy and is willing to consider the Republican vice presidential nomination. After the first round of coverage, however, his spokesperson denied that Powell has ruled out a presidential run and said that Powell is not advising Dole, though Dole campaign Chair Bill Lacy says that Powell does play such a role with Dole on an informal basis.

Gov. Tommy Thompson (R-WI). Thompson said if the decision were made today, he would not run for president but he also disclosed that he has scheduled four trips to Iowa and New Hampshire over the next two months. He has asked supporters and GOP activists in Wisconsin to refrain from joining other campaigns until he has made up his mind. Several close supporters of Thompson are considering forming an exploratory committee on his behalf but the Governor says he will not make a decision until after the state budget is approved this summer.

Presidential Primary Calendar. The Arizona state Senate passed a bill this week to move the state's presidential primary up to February 27. A similar bill has already passed the House and Governor Symington will sign it. Because of DNC delegate selection rules, Democrats will hold a party-run primary on March 9. Granite Staters are breathing a sigh of relief, however, that Arizona chose to abide by its one-week window.

The Delaware Democratic Executive Committee voted this week to participate in the state-funded February 24th presidential primary--which falls just four days after the New Hampshire primary and outside the window allowed by the DNC. The DNC Rules and Bylaws Committee will hold its first meeting regarding the delegate selection plans on June 15th. The Committee is very likely to find the Delaware plan to be in non-compliance. If it so rules, the Delaware Democrats will lose two delegates and its DNC members will not be automatic delegates to the 1996 Convention, nor will they be permitted to run in district level or statewide caucuses for delegate positions. The state will also lose its slots on Convention standing committees.

Because Delaware's move violates New Hampshire's demand that no primary be held less than a week after New Hampshire's primary, sources close to Gov. Steve Merrill (R-NH) have said that he will start pressuring the GOP presidential candidates to pledge to not campaign in Delaware if they stick to the current timetable.

1995 Races

1995 Kentucky Governor's Race. A poll conducted by Mason-Dixon April 10-12 showed Lt. Governor Paul Patton leading in the Democratic primary with 32% of the vote. Secretary of State Bob Babbage followed with 21% and state Senate President Eck Rose with 9%. Lesser known candidates split the remainder of the vote. Patton has consistently led the race, for the Democratic nomination, but must exceed 40% of the vote to avoid a runoff. Rose is $90,000 short of the $200,000 he needs to qualify for 2-to-1 matching funds in the primary election. The poll showed Patton leading de-facto GOP nominee Larry Forgy in the general election 36%-30% with 34% of voters undecided.

1995 Mississippi Gubernatorial Race. Recent articles in the Mississippi press have indicated that the greatest task for Dick Molpus's (D) gubernatorial campaign will be "to keep from being in any way linked to Clinton or national Democrats." The Fordice campaign is expected to put as much focus as possible on national Democrats in the Mississippi race, and has hired GOP strategist Jim Weber of Alexandria, VA as a consultant.

Denver Mayor's Race. The ad war began in earnest late this week, with Mayor Wellington Webb, City Councilwoman Mary DeGroot and City Auditor Bob Crider all airing their first television commercials. Consultant Mandy Grunwald crafted a soft positive ad for Webb, while his challengers have gone negative. Crider's ad blasts Webb for preferential contract awards, and DeGroot is running a flippant ten-second ad attacking Webb's lack of vision. The *Denver Post* will endorse this weekend and is unlikely to back the mayor.

San Francisco Mayor's Race. HUD Assistant Secretary Roberta Achtenberg resigned her position this week and announced she would enter the race. Her move has not been particularly well received by the liberal San Francisco activists who comprise Achtenberg's political base. Key players such as Congresswoman Nancy Pelosi, lesbian Supervisor Carole Migden and gay contributor James Hormel will not support Achtenberg. She will face an uphill battle against either Speaker Willie Brown or former Mayor Art Agnos to be the liberal alternative to incumbent Mayor Frank Jordan.

New Jersey Primary Filing. April 13th was the deadline for primary filings in New Jersey's 1995 elections. Only the Assembly, a few mayors, freeholders, and county executives are up this year. The State Party was surprised by the number of primaries, including two battles looming against incumbent Assemblymembers.

L.A. City Election. Mayor Riordan won a key policy victory with voter approval of a measure giving the mayor greater authority over city department heads. His endorsement of Barbara Yaroslavsky for City Council apparently carried little weight as the favored wife of the former incumbent (now County Supervisor) Zev Yaroslavsky faces a difficult run-off after finishing a distant second to newcomer Michael Feuer in the influential westside district. In a central city African-American district, incumbent Nate Holden was forced into a run-off against attorney Stan Sanders. Six other incumbent City Councilmembers (5 Democrats and 1 Republican) cruised to easy victories.

<u>1996 Races</u>

Chicago Congressional Races. Speculation is mounting that Rep. Bobby Rush (D-IL) will be challenged in the 1996 Democratic primary. Rush has made some enemies in the district in recent years by backing unsuccessful challengers in aldermanic, state central committee and state legislative races, most recently when his sister failed in her challenge to an incumbent alderman April 4. Meanwhile, if Rep. Mel Reynolds (D) survives his legal troubles, he is certain to face a tough primary challenge. State Senator Alice Palmer (D) will run as will Jesse Jackson, Jr. and Alderman Bill Shaw (D), one of Reynolds' two 1994 primary challengers.

Illinois '96 Senate Race. Now that former Attorney General Neil Hartigan (D) looks like a Senate candidate, we are beginning to see some grumblings in the African American community. Hartigan openly backed Independent candidates against Mayor Harold Washington (D) and, as a result, he flunked what some activists view as a critical litmus test.

David Price. Sources close to former Rep. David Price (D) report that he will seek a rematch against Rep. Fred Heineman (R-NC) next year. Price lost to Heineman by about 1,000 votes out of over 150,000 cast in 1994.

Other Political News

Party Switching. Following Nathan Deal's surprise party switch to the GOP, House Speaker Newt Gingrich invited Senator Sam Nunn to also make the switch. During a tour of the Lockheed Plant in Marietta, Georgia the next day, Nunn responded that he has always been a Democrat and was not planning to change. Clips on Deal's switch are attached.

Whitman Racial Flap. Governor Whitman is going to England next week. She was quoted in a British newspaper, the *Independent*, this week as saying, "And as regards the unwed mothers, there's a game called 'jewels in the crown' that young black males have, and its how many children you can sire outside of wedlock." This quote is getting some play in New Jersey, and Senator Wayne Bryant, a key African American legislator, has fired off an angry letter to her. She has been forced to apologize for her remarks.

New York Party Debt. The new state party co-chairs have discovered that the state party debt is approximately equal to the amount in former Governor Cuomo's campaign bank account. He has announced he is creating a charity to give that money away. Party officials are irritated, and Congressman Nadler is talking about suing Cuomo.

Senator Gorton. Senator Gorton is taking heat for a leaked intra-office memo which revealed that he allowed timber and mining interests to write his Endangered Species Act legislation. The *Seattle Post Intelligencer* wrote a scathing editorial and an activist held a sit-in in his Seattle office.

cc: The Vice President
Leon Panetta
Harold Ickes
Melanne Verveer
George Stephanopoulos

THE PRESIDENT HAS SEEN
4/17/95

THE WHITE HOUSE
WASHINGTON

95 APR 14 P7:54

April 14, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS Kitty

SUBJECT: Summary of Weekly Cabinet Reports
April 14 - April 21, 1995

U.S. Department of Treasury

- **Asia Travel:** On April 17, Secretary Rubin meets with Finance officials in New Delhi. On April 18, he addresses an American Chamber of Commerce breakfast and meets with Prime Minister Rao. On April 20, he meets with Chief Minister Manohar Joshi in Bombay.

- **Ireland:** On April 21, Secretary Rubin may meet with Irish government officials on a layover in Dublin.

- **Money Laundering:** Treasury is assisting an interagency working group, chaired by NSC, to discuss implementation of the international initiatives proposed for inclusion in a Presidential Review Directive on training for U.S. Ambassadors in narcotics and crime matters; enhanced authority for State Department special agents abroad to provide investigative assistance overseas to U.S. law enforcement agencies; and giving money laundering a higher profile in U.S. diplomacy. In addition, the working group is developing U.S. policy on global money laundering and is working on a system to ensure that U.S. statements and diplomatic contacts are consistent.

Good

- **Multilateral Sanctions Use and Enforcement:** Treasury is co-chairing a sub-group with the State Department, looking at lessons learned from the multilateral sanctions process. The group is preparing a draft paper analyzing sanctions instruments and their effectiveness in various circumstances. The paper will also examine the relative merits of incremental sanctions versus shock-effect timing of sanctions imposition. Treasury anticipates completing a draft document by April 19.

- **IRS:** On April 17, Commissioner Richardson will appear on CNN, "This Morning on CBS" and Fox local news (DC) to discuss the end of the filing season. She will appear later in the day at the Ben Franklin Post Office Branch on Pennsylvania Avenue in DC where she will meet with taxpayers.

Great on Ukraine

- **IRS Commissioner in New Hampshire:** IRS Commissioner Richardson will be in Manchester (April 18) and Portsmouth (April 19) where she will meet with small businesses and other state groups as part of the President's regulatory reinvention initiative.

- **Operation Hard Line:** Operation Hard Line is intended to change Customs' emphasis on seizures and arrests to prevention and deterrence along the Southwest Border. Since the program began a month ago, the wholesale price of cocaine has increased in the El Paso area and evidence indicates that smugglers are reluctant to run cocaine loads past Customs inspectors in Nogales, AZ. Treasury is currently preparing a supplemental funding request for the program of approximately $68.8 million dollars.

- ***CBS News* Report on Counterfeiting:** Customs and Secret Service are handling inquiries regarding phony U.S. bills being produced in Colombia and smuggled into the U.S. On March 26, the Miami Herald reported that Customs and Secret Service had launched an unprecedented interdiction effort which has yielded $750,000 in high-quality fakes.

- **EITC Implementation Through Treasury/Private Sector Partnerships:** Treasury continues to work with the private sector in expanding the EITC program. An example of efforts is the IRS/Con Ed initiative which resulted in Con Ed mailing bilingual inserts explaining EITC to 2.6 million residential customers.

Department of Commerce

- **NOAA:** The National Oceanic and Atmospheric Administration (NOAA) plans to release the endangered species listing of four species of coastal coho salmon in the Northwest, now tentatively scheduled for April 24 in Seattle.

- **Diversity:** On Friday, April 28, Secretary Brown delivers a major speech on affirmative action to the American Bar Association at their conference in Washington, whose theme this year is "The Power of Diversity: Leveraging the Challenge of Change."

- **Georges Bank Fishery Extension**: On April 12, Commerce released notification of the renewal of the emergency rule for the Georges Bank fishery in New England. The extension continues existing conservation provisions, but eases restrictions for some fishermen without affecting stocks.

- **Russian Business:** April 17-18, Secretary Brown meets with Russian Deputy Prime Minister Davydov and the Russian Presidential Business Development Mission. On Wednesday, April 19, Secretary Brown joins Secretary Perry, Ruth Harkin and Westinghouse Electric CEO Michael Jordan in addressing the conference on "Building Industrial Partnerships in the Former Soviet Union."

- **Technology Speeches:** On Tuesday, April 18, Secretary Brown addresses the 2nd Annual Manufacturing Technology Conference at the National Institute of Standards and Technology. On Wednesday, April 19, Secretary Brown joins Laura Tyson and Jack Gibbons in hosting the "Integrating Technology and the Organization" meeting with executive branch, Hill, industry and labor representatives at the EOB.

- **Export Meetings in St. Louis:** On Thursday, April 20, Secretary Brown travels to St. Louis and addresses the National District Export Council Conference and the Missouri meeting of the National Association of Manufacturers, where the Secretary will unveil the new "Commercial Service" name and logo for the U.S. & Foreign Commercial Service (US&FCS). Secretary Brown also expects to meet with business leaders, hosted by McDonnell Douglas CEO Harry Stonecipher.

- **Brazil Countervailing Duty (CVD) Investigation of U.S. Cotton:** Brazil has initiated its first-ever CVD investigation, which is also one of the first to be brought against U.S. imports. Commerce will keep the White House informed of developments.

- **Economic Data:** Commerce will release the following economic data:

Manufacturing and Trade: Inventories and Sales for February	April 14
Housing Starts and Building Permits for March 1995	April 18
U.S. International Trade in Goods and Services	April 19

Department of Transportation

- ***Newsweek* Cover Story on FAA:** Next week's *Newsweek* cover story is expected to be on airline safety and the Federal Aviation Administration [FAA]. The story will most likely be extremely critical of the FAA. After several accidents last year, *Newsweek* assigned a team of seven reporters to work on this piece. Secretary Peña interviewed for this story last month.

- **Chicago Drawbridges:** The Coast Guard issued a notice of scheduled drawbridge openings to accommodate recreational boaters in Chicago, and intends to form a committee to develop a permanent solution to drawbridge openings to satisfy needs of waterborne and land-based traffic. The proposed 90-day temporary schedule of drawbridge openings to handle the spring "breakout" of sailboats is similar to that implemented last fall when boaters returned their vessels for winter storage. Temporary schedules have been issued over the past several years because the boating community and the city have been unable to reach a permanent solution. The Coast Guard's attempt to establish a Final Rule in 1994 was overturned by the U.S. District Court for the District of Columbia. DOT will continue to work with all parties to negotiate a settlement.

- **New York Air Traffic Controller Staffing:** The *New York Times* reported April 10 on disagreements between the FAA and the National Air Traffic Controllers Association as to appropriate staffing levels in New York. On April 14, DOT will initiate a 45-day management review of resource utilization. The controllers union, NATCA and the Air Transport Association are supportive of this approach. Rep. Susan Molinari (R-NY) and her father, Staten Island Borough President Guy Molinari, will tour the New York center on April 14.

- **Safety Hearings:** National Transportation Safety Board hearings on the St. Louis runway accident last November 22 will start on April 17 in Washington, D.C. On April 20, the FAA will hold a public meeting in Washington to hear comments on recommended changes to flight data recorders on commercial aircraft.

- **West Coast Travel:** During the week of April 17, Secretary Peña will travel to Minneapolis, Seattle, Portland, and San Francisco. Highlights include the certification of the Boeing 777 aircraft and events with Sen. Wellstone (D-MN). He will also participate in events with Sen. Hatfield (R-OR) including promotion of the environmental benefits of high speed rail. The Secretary will attend several Dem. Party fundraisers, conduct editorial boards, and tour air traffic control centers.

- **Small Business Event:** At the request of the White House, Secretary Peña will travel to Dallas, TX, on April 25 to deliver the keynote speech at the White House Conference on Small Business.

- **Tentative Settlement of Transit Strike in Philadelphia:** Labor and management reached a tentative agreement on April 10 to end a strike that began on March 28. Rank and file approval is expected. The agreement calls for a nine-percent wage increase over three years. All three striking divisions (City, Suburban, and Frontier) resumed full operation April 11.

Department of Labor

- **Boeing:** On Monday, April 17, Secretary Reich visits the Boeing Company in Seattle, Washington. He will highlight Boeing's extensive worker training and re-training programs, and announce a major grant to Boeing serving dislocated workers. He will also meet with Boeing President Phil Condit, local Democratic and labor leaders, and with Seattle Mayor Norm Rice, the next Chair of the U.S. Conference of Mayors.

- **California Minimum Wage Bill:** The California legislature is considering a bill to increase the state's minimum wage. Hearings on the minimum wage begin on April 19. On Tuesday, April 18, Secretary Reich participates in a roundtable discussion with low-wage workers in Sacramento. He will be joined by Rep. Bob Matsui (D-CA). While in Sacramento, Secretary Reich will also meet with Speaker Brown and Senate President Lockyer to discuss affirmative action.

- **Middle Class Bill of Rights Town Meeting:** On Tuesday, April 18, Secretary Reich and CA Lieutenant Governor Gray Davis participate in a Middle Class Bill of Rights town meeting at Riverside Community College in Riverside.

- **Financial Women's Association:** On Friday, April 21, Secretary Reich speaks to the Financial Women's Association, a bi-partisan group of female executives and professionals from large and small corporations. The focus of the speech will be on the need for wage equality.

- **Baseball Players:** There have been no talks between the Major League Baseball Players and team owners since the strike ended April 2. The owners' executive council met April 11-12 in Milwaukee but no decisions were made. Union chief Donald Fehr said on April 9 that he hoped to get back to the bargaining table by the end of the three-week spring training period. Exhibition games began yesterday and the regular season will begin April 25. Meanwhile, a Senate subcommittee voted on April 5 to repeal part of baseball's antitrust exemption as it applies to labor negotiations.

- **Baseball Umps:** Talks between the umpires and representatives of the Major Leagues resumed yesterday.

- **UFCW Strike:** The April 6 strike by members of the United Food and Commercial Workers (UFCW) continues at 200 northern California retail stores operated by Safeway. Two other chains - Lucky Stores and Save Mart - have locked out their UFCW-represented workers in accordance with a prior agreement among the three food chains. The number of workers affected by the dispute now totals 32,000. The parties' previous agreement expired on March 4, 1995. A Safeway representative commented that "we've brought in thousands of temporary replacements from other areas as well as several hundred exempt employees" but acknowledged that "business has been impacted."

- **UAW:** Negotiations continue between the UAW and McDonnell Douglas Corp. to replace an agreement set to expire April 16. The UAW represents about 10,000 workers at several locations.

- **NY Metro:** A Presidential board will submit its report in the dispute between New York City's Metro-North Railroad and 15 unions on April 21.

Department of Education

- **National Catholic Education Association:** Secretary Riley speaks before the National Catholic Education Association on April 21 in Cincinnati, OH.

- **Community Colleges:** On April 24, Secretary Riley and Secretary Reich join you at your speech in Minneapolis, MN to the American Association of Community Colleges.

- **Sallie Mae Complaint:** On April 12, Sallie Mae announced its intention to seek a declaratory judgment against the Department. Sallie Mae is challenging the Department's intention to impose a fee on guaranteed student loans that Sallie Mae intends to securitize and will argue that the fee is unconstitutional.

- **Wisconsin School Visit:** Secretary Riley travels to Wasau to give a speech and visit a school with Rep. David Obey (D-WI) on April 26.

- **Teacher of the Year:** Secretary Riley participates with you at the White House event on April 28 honoring the Teacher of the Year.

- **Special Education Event:** Secretary Riley joins Miss America for a special education event on April 28 in Washington, D.C.

- **Ohio PTA:** On May 3, Secretary Riley addresses the Ohio Parent Teachers Association in Columbus, OH.

Department of Agriculture

- **Rural Conference:** USDA continues to prepare for the National Rural Conference and its series of six regional rural forums during the week of April 17-24. During the forums, Secretary Glickman will listen to the concerns of rural Americans and begin a dialogue which will help USDA and the Administration work together to develop solutions to create jobs and improve rural communities.

- **National Meeting To Focus On USDA Food Safety Proposal:** On April 17-19, the National Advisory Committee on Microbiological Criteria Foods will discuss the Department's proposed rule which would significantly reform meat and poultry inspection systems, as well as USDA's "fresh" labeling poultry rule.

- **Kickoff Scheduled For South Carolina Food Stamp Improvement Project:** On May 1, the South Carolina Department of Social Services, the Social Security Administration, and USDA will launch a major outreach effort to elderly and disabled persons while streamlining the certification process of the Food Stamp Program. The South Carolina Food Stamp Improvement Project should result in more elderly and disabled persons receiving food stamps. Also, as part of this effort, the South Carolina state agency should experience reduced administrative costs.

- **USDA To Establish Task Force To Study Forest Service Policies and Programs**: On April 11, Secretary Glickman directed Under Secretary Jim Lyons to establish a task force to evaluate the statutes, regulations, policies, and programs that guide the activities of the USDA Forest Service, including those that are implemented by other agencies but affect activities on National Forest System lands. The task force was directed to recommend measures which would reduce conflicts and redundancies and improve cost efficiency.

- **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 Molton 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.

Department of Energy

- **Realignment of the Department of Energy**: Secretary O'Leary initiated a process in December to realign the Department of Energy consistent with our commitment to reduce our budget by $14 billion over 5 years. Departmental employees have been working with private sector experts on this effort. The final report should be completed by May 5, 1995.

- **Speech to White House Conference on Small Business in Atlanta:** At the request of the White House, the Secretary will make the keynote speech to the White House Conference in Atlanta on Tuesday, April 18.

Department of Interior

- **Florida Beaches:** On Monday, April 17, Secretary Babbitt travels to Florida to announce a cooperative effort between the Army Corps of Engineers, the Fish and Wildlife Service, the FL Department of Environmental Protection, and Dade County to assess the use of Bahamian aragonite sand to renourish Florida's eroding beaches. The cooperation is part of Interiors effort to make the Endangered Species Act work better by proactively addressing issues that may impact threatened and endangered species such as the sea turtles that inhabit the area. On Tuesday, April 18, Secretary Babbitt addresses the Miami Chamber of Commerce. He will explain how Administration efforts in the Everglades have helped resolve a controversy simmering for 20 years.

Housing and Urban Development

- **Roberta Achtenberg's Resignation:** Secretary Cisneros joined Roberta at the press conference, and, on behalf of the Department and the President, wished her well in her campaign for mayor of San Francisco.

- **HUD Retreat:** On Tuesday, April 18th, Secretary Cisneros hosts an all-day retreat in Potomac, Maryland, with his principal staff and the 10 regional HUD Representatives.

- **D.C. Public Housing Announcement:** HUD has been working with the District of Columbia over the past year to resolve the management deficiencies at the District's Department of Public and Assisted Housing. Mayor Barry has agreed to hire David Gilmore, from the Seattle Housing Authority, to serve as the court-appointed receiver of the District's housing agency. Mr. Gilmore is a highly respected housing professional who has helped turn around a number of troubled agencies. A press conference is anticipated for next week to announce Mr. Gilmore.

- **Demolition of the Worst Public Housing:** Secretary Cisneros will be in Philadelphia and St. Louis, April 30th and May 1st, to mark the demolition and redesign of two failing public housing developments.

Department of Justice

- **Gulf War Syndrome:** On April 5, 1995, defendants in Coleman v. Alcolac, Inc., moved to compel DoD to provide classified information responsive to questions that DoD declined to answer during a deposition on March 29, 1995. Judge Samuel Kent gave DoD until April 12, 1995, to challenge the relevancy of the questions. The Court stated its intent to rule on the relevancy issue by April 19, 1995. DoD has begun drafting a declaration in which the Secretary of Defense will assert the state secrets privilege.

- **Microsoft:** Oral arguments begin on April 24. Justice is appealing Judge Sporkin's decision to deny the Department's motion to enter a Final Judgment based on the parties' settlement agreement.

- **INS And Florida To Sign Memorandum Of Understanding Initiating The Enhanced Institutional Hearing Program In Florida.** On April 17 Governor Chiles and INS Commissioner Meissner will sign a Memorandum of Understanding to increase the number of criminal alien deportations from 468 in FY 1994 to a projected 2,200 in FY 1996. INS will establish a sub-office in Orlando, hire 17 federal and state investigation and deportation officers, and reduce the number of release and hearing sites.

- **Solicitor General To Present Oral Argument Before The Supreme Court In Babbitt v. Sweet Home Chapter.** Justice filed a reply brief in this case on April 10 on behalf of the Secretary of the Interior and the Director of the Fish and Wildlife Service and will argue the case on April 17. Justice is asking the Court to uphold a regulation issued by the Secretary elaborating upon the Endangered Species Act's prohibition against the "taking" of an endangered or threatened species. The regulation defines taking to include significant modification of the habitat of a protected species if the modification actually kills or injures protected wildlife by impairing its essential behavioral patterns, such as feeding or breeding. The D.C. Circuit's decision to invalidate this regulation conflicts with a 9th Circuit decision sustaining the same regulation, and it undermines the protection of endangered and threatened species against actions by private parties on non-federal land.

- **Security Policy Board.** On March 7, 1995, the Electronic Privacy Information Center filed a FOIA suit against the NSC seeking documents relating to the Security Policy Board, established to coordinate national security policy within the federal government. The suit follows others in which Justice has argued that the NSC is not an agency subject to FOIA. A decision on that question is expected from the D.C. Circuit when it rules in Armstrong v. Executive Office of the President.

- **On Thursday, April 27, the Attorney General addresses the National Conference on Preventing Crime in the Black Community in Miami.**

- **Gays in the Military:** In Philips v. Perry, the 9th Circuit declined District Court judgment upholding service member's discharge under military's new statutory policy governing service by persons who commit homosexual acts. In Walmer v. Department of Defense, the 10th Circuit affirmed denial of a preliminary injunction and allows army officer to be discharged for homosexual acts.

- **Louisiana and Georgia Congressional Redistricting.** On April 19, 1995, the Supreme Court will hear oral argument in United States v. Davida Johnson, et al., and United States v. Hays. The three-judge district courts ruled in both cases that Georgia's and Louisiana's redistricting plans violated the Fourteenth Amendment because they were drawn with the intent to create majority African American districts. The Solicitor General will argue the challenged districts should not be subject to strict scrutiny because they are not "bizarrely-shaped," and were narrowly drawn to serve a compelling state interest in complying with the Voting Rights Act.

- **Indictment Of Pro-Choice Activist Under Clinic Law.** On April 11, 1995, a federal grand jury returned an indictment against Daniel Adam Mathison for telephone threats to workers at pro-life organizations in WA and NJ. This case marks the first time the Freedom of Access to Clinic Entrances law has been used to prosecute a pro-choice activist.

- **Illinois Motor Voter Halted Pending Appeal.** On April 7, 1995, the 7th Circuit Court of Appeals stayed implementation of the National Voter Registration Act (NVRA) in Illinois pending resolution of the state's appeal of the district court's March 28 finding that the NVRA is constitutional.

- **On April 6, in Arizona, DOJ Obtained The First Conviction For Distribution Of Obscenity Via CD-ROM.**

- **Shooting Incident At New Mexico Border.** On April 7 at Sunland Park, a group of 30 to 50 Mexican bandits crossed into the US and broke into box cars in the Southern Pacific Freight Yard. El Paso Border agents responded along with Southern Pacific security agents and Mexican Police. The only injury was to a Mexican officer who broke his shoulder. Seven bandits were arrested, two for firing at the officers.

- **Cali Kingpins Consider Intimidation Campaign.** DEA sources indicate that Cali kingpins, Gilberto Rodriguez-Orejuela and Miguel Rodriguez-Orejuela, are enraged over the arrest of their brother and the brief detention of Gilberto's adult children. Reportedly, the drug lords agreed to initiate an "intimidation campaign" against the Cali search block and DEA agents in retaliation for the Colombian government's anti-drug efforts.

Department of Health and Human Services

- **HHS to Recommend Uniform Medicare Physician Fee Increase for 1996:** In her report to Congress on April 15, 1995, Secretary Shalala intends to recommend legislative action to provide a uniform 1.1 percent fee increase for all Medicare physician fee schedules in 1996. (The cost of this change is accounted for in your FY 1996 Budget.) Without legislative action, Medicare physician fees in 1996 will decrease for primary care services by 2.2 percent; increase for surgical services by 3.9 percent; and increase for other nonsurgical services by .6 percent. If this occurs, primary care physicians will complain that Medicare's physician fee schedule is not meeting its intended goal of shifting Medicare payments toward primary care. Secretary Shalala has received a joint letter from several organizations (including the American College of Physicians, the American Society of Internal Medicine, and the American Academy of Family Physicians) recommending a change in the formula to increase primary care fee payments.

- **Approval of Welfare Waiver Proposals for Missouri and Montana Expected This Week; Kansas In Future:** The Missouri Families Mutual Responsibilities plan would time-limit benefits statewide, provide education and training; increase earned-income disregards; requires minor parents to live at home or in other adult-supervised setting; and disregards earnings of minor parents if they are students. The Montana proposal establishes a Job Supplement Program to assist individuals at risk of becoming dependent upon welfare; a Family Investment Contract for beneficiaries, as well as time-limited benefits, followed by participation in a Community Services Program for those who do not attain self-sufficiency. The Kansas proposal time-limits benefits and implements a number of provisions designed to strengthen work requirements and make work pay; would also reduce -- by half -- benefit increases for a second child born to families in which the parent is not working and place a family cap on families with two or more children.

- **Medicaid Waiver for Massachusetts:** The Department expects to announce approval of Massachusetts's state-wide Medicaid demonstration in the next 2 weeks. "MassHealth" expands eligibility to over 400,000 additional low-income and working poor individuals.

- **National Infant Immunization Week April 22 -29:** HHS will coordinate activities nationwide to increase awareness about age-appropriate immunization and mobilize families to get their children vaccinated.

- **Health Care Spending to Hit $1 Trillion:** Next week, HHS will announce that in 1995, for the first time ever, national health expenditures will exceed $1 trillion, increasing 7.4 percent from the 1994 level, according to HHS estimates. The projections indicate that the nation's health expenditures will more than double in the next ten years to reach nearly $2.2 trillion by the year 2005, or an estimated 17.9 percent of the GDP. HHS also estimates that health spending will increase at an average annual rate of 8 percent from 1995 to 2005.

- **FDA to Discuss Cholesterol Lowering Devices:** On April 21, an FDA advisory panel will discuss and make recommendations on two applications for devices intended for the removal of low-density lipoprotein (LDL) from the body to lower LDL cholesterol in the small number of patients with inherited, very high cholesterol levels that cannot be lowered by existing drugs.

Office of National Drug Control Policy

- **Travel to Turkey and England:** Director Brown's travel to Turkey and England this week will include a signing of a Memorandum of Understanding for joint counter-drug technological development with the Home Office in the United Kingdom. This agreement will permit ONDCP's Counter-Drug Technology Assessment Center to collaborate with a number of major British research labs on new technologies for drug detection and inspection, leveraging our limited research funds.

Office of Personnel Management

- **Reverse Affirmative Action:** On Wednesday, April 19, OPM will release the final report of a study of the disparate discharge rates between minority and non-minority federal employees. The report finds that throughout the government, African American employees are discharged at a rate of more than double non-minority employees. This holds true regardless of the age, education, or level of employment of the African American employees. The report recommends that agencies practice early intervention when problems arise, that there be training for both new employees on what is expected of them and for supervisors in communicating with employees, that agencies monitor their discharges more closely, and that managers be held accountable for taking personnel actions fairly.

- **Child Support Enforcement Kickoff:** OPM and HHS will jointly convene a Kick Off to Implement the President's Executive Order on Child Support for officials of federal agencies on Thursday, April 20, 1995 at HHS.

Small Business Association

- **WH Conference on Small Business:** The final state Small Business Conference was held April 13th in Dearborn, Michigan. The 6 regional conferences are as follows: April 18th in Atlanta (Secretary O'Leary speaks); April 25th in Dallas (Secretary Peña); May 2nd in Denver (Carol Rasco); May 5th in San Francisco; May 9th in New York City (Secretary Ron Brown);May 12th in Chicago (Secretary Shalala).

- **Low Doc Loans:** Administrator Lader announced that due to the success of the Low Doc loan program, the Small Business Administration guaranteed almost twice as many commercial loans in the first six months of FY95 as in the same period in FY94.

United State Trade Representative

- **Auto Parts Talks with Japan:** USTR along with DOC continued auto/auto parts talks with Japan at the expert level on April 12-13. Negotiations continue at the vice-ministerial level on April 17-18.

United States Information Agency

- **Holocaust: Days of Remembrance:** USIA co-sponsors with HHS, DoEd, FEMA, SBA, and Energy, a memorial observance in remembrance of the Holocaust on April 24.

- **Media Reaction to NPT:** Objections to an indefinite extension of the NPT remained strong in Non-Aligned countries.

United Nations

- **Vice President Gore and Secretary Christopher at Non-Proliferation Treaty Review Conference:** The NPT Review Conference begins on April 17. As head of the US delegation, the Vice-President will deliver the US Statement to the conference. Secretary Christopher will open the conference and deliver opening remarks. The Security Council set the stage for the conference by unanimously adopting a resolution welcoming nuclear security assurances for non-nuclear powers.

- **UNICEF Executive Director:** Ambassador Albright will host a reception on April 18 for Carol Bellamy, the Secretary General's appointment to head UNICEF.

- **Cuba Migration Talks:** The U.S. will hold further talks with Cuba on migration issues. This will be the third round of talks. Extensive coverage by the Florida and Latin American press is expected.

Department of State

- **OSCE Mandate for Chechnya**: The Organization on Security and Cooperation in Europe took a major step forward on April 11, paving the way for its first long-term mission in Russia itself, with a mandate for political involvement in crisis management. The Permanent Council, approving a mandate for the OSCE Assistance Group to Chechnya, tasked the group to promote human rights and investigate past human rights violations; facilitate delivery of humanitarian aid; promote peaceful resolution of the crisis; and help create mechanisms guaranteeing public safety and rule of law. The mission is to deploy in the coming days.

- **Mexico:** The DOD Supplemental conference agree on new reporting requirements for use of the Exchange Stabilization Fund and imposed a very tough Presidential certification requirement that all documents requested under house Resolution 80 be produced to the Congress prior to further use of the fund. Unclassified documents were delivered to Congress on April 12.

- **Jordan Debt Relief:** After being stripped from the DOD Supplemental bill, Jordan debt relief language was added by Sen. Dole to the FEMA Supplemental/Rescission bill. The language was identical to the earlier Senate language (an appropriation of the full $275 million), with obligations in FY 1995 capped at no more than $50 million). The House version contains only $50 million for Jordan. State believes the House and Senate conferees will support the full amount and will also be receptive to raising the cap on obligations in FY 1995, thereby easing pressure on the FY 1996 foreign aid budget.

- **Pakistan:** State Department calls to key Members and staff April 10 - 12 revealed a skeptical, but not hostile reaction to your commitment to Prime Minister Bhutto to seek revisions of the Pressler amendment. Congressional reaction regarding the embargoed F-16s has been more negative, including an assumption that any appropriation to compensate pakistan for the value of the aircraft would be a non-starter.

Department of Defense

- **Secretary Perry reports that the situation in Burundi continues to worsen.** Discussions with the Hill last week were "sufficiently non-negative" to move forward and discreetly discuss intervention plans with our allies in the event of wide-scale violence there. While we would not plan to lead a deployment, DOD recommends we assist in planning an airlift. The interagency group will conduct follow-up consultations with Congress after receiving feedback from the UN and allies, prior to finalizing any plans. The Joint Staff has developed a plan to deter ethnic violence and widespread genocide and thereby prevent a massive humanitarian crisis. The plan calls for a 5,000-6,000 person force operating under a UNSC Chapter VII authority in the northern half of Burundi, which is where most of the refugees and general population are located.

- **Migrants:** On April 8, approximately 120 Haitians and 12 Dominicans, whose vessel had approached within about 20 miles of the Florida coast, were returned to Port-au-Prince. Two requiring medical treatment were taken to the U.S. The Haitians did not claim political asylum, and were returned uneventfully. The Dominicans claimed political asylum and fear of persecution and are being processed by the GOH. NSC and INS will prepare papers for interagency review concerning what U.S. policy should be for future migrants under the restored Aristide regime.

- **Northern Iraq Relief Program Transition:** DoD will host a meeting on the transition of the Northern Iraq Relief Program from DoD to USAID/OFDA on April 18-19. The meeting will discuss support DoD now provides; how responsibilities will be transferred to OFDA; what are limits of OFDA's duties; what support might be provided by AmEmbassy Ankara; and what continued support will be needed from DoD. Interagency coordination needs to be addressed now to meet the target date of October 1 for the transfer of responsibility.

- **Gulf War Syndrome Research Update:** Two early research efforts recently made news. Neither of them has produced definitive results. Ross Perot is funding a research project led by Dr. Abou-Donia of Duke University. As reported in the *Washington Post* on April 10, Dr. Abou-Donia is experimenting with chickens to determine whether the combination of anti-nerve gas pills and anti-insect compounds caused some of the illnesses. Since October 1994, DoD has also been conducting a similar study using rats. Results from the DoD study are expected in early May.

cc: The Vice President
Leon Panetta
Harold Ickes
George Stephanopoulos
Jack Quinn
Carol Rasco
Doug Sosnik
Michael McCurry
Maggie Williams
Mark Gearan
Barry Toiv
John Angell
Martha Foley

THE PRESIDENT HAS SEEN
4/17/95
Mcginty also copied

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

Kathleen A. McGinty
Chair

95 APR 14 P4:58

April 14, 1995

MEMORANDUM TO THE PRESIDENT

FROM: KATHLEEN MCGINTY Martin M. Jacks for

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

ENDANGERED SPECIES ACT

The U.S. Supreme Court will hear arguments in Sweet Home Association v. Babbitt. This is a very important case that presents the question of whether the meaning of "harm" under the Endangered Species Act (ESA) includes the destruction of habitat.

Over the next two weeks, the House Task Force on the ESA, chaired by Rep. Pombo, will hold 5 field hearings in California and Washington. The hearings are expected to be of a vehemently anti-ESA character, with little participation from Democrats.

EARTH DAY

CEQ has been working over the past week with Mark Gearan and staff to put together a communications plan and major Earth Day address for next Friday, April 21, the eve of the 25th Anniversary of Earth Day. The event site is Havre de Grace, Maryland, a small middle-class town, and duck decoy capital of the world, on the banks of the Chesapeake Bay. Because it is the 25th Anniversary of Earth Day and because there will soon be Senate activity on the provisions in the Contract that roll back health, safety, and environmental standards, it is a great opportunity for us to draw contrast between your common sense reforms and their extreme measures that give special access for special interests at the expense of ordinary Americans.

SUPPORT FOR STAND ON ENVIRONMENTAL ISSUES

We received a letter late this week addressed to you from virtually all leading conservation organizations strongly supporting the environmental message in your speeches in Dallas and Sacramento. The letter offered particular support for your veto message on the Republican's "takings" legislation. The letter also encouraged you to press for changes in the rescission bill to eliminate the "timber salvage" provision or, failing that, to veto the rescission bill.

GRAZING PERMIT EXTENSION

Several thousand grazing permits across the West are scheduled to expire this year. It was brought to our attention recently that the USDA Forest Service has not made significant progress on the environmental reviews required for permit renewals. Grazing interests are deeply (and quite rightly) concerned that their operations not be disrupted because of the Federal government's failure to perform routine analyses. CEQ is leading an Administration effort to resolve the situation quickly, with the goal of avoiding disruption to ranching community while meeting the government's legal requirements. Specifically, we are pursuing an inter-agency agreement to extend existing permits for a period during which the environmental reviews will be completed.

CLEAN WATER ACT IN THE PRESS

Numerous editorials and op-ed pieces have emerged recently in opposition to the Clean Water Ace rewrite which passed the House Transportation and Infrastructure Committee last week. Attached you will find a synopsis of 11 pieces from newspapers around the country on the subject courtesy of Greenwire, the American Political Network's daily report on the environment.

*2 WATER ACT II: HOW'S IT PLAYING? 10 OF 11 OPPOSE BILL

Ten of 11 editorials and op-eds collected by GREENWIRE oppose the Clean Water Act rewrite that passed the House Transportation and Infrastructure Cmte. last week (GREENWIRE 4/7). Also, three editorials favor the Great Lakes Initiative, which would be made mandatory under an amendment to the bill.

Balto SUN: "There may be merit in revising some wetlands definitions, as the Clinton administration has proposed. But the science is admittedly complex, not amenable to the simplistic 'A-B-C' classifications created by the House committee. Separating 'good' wetlands from 'bad' wetlands is typically a distinction made by a developer or farmer in self-interest" (4/9).

BUFFALO NEWS: "If Congress wants to retool the Clean Water Act in a constructive way, it can restore federal funding for local sewage treatment plants. ... But the Washington trend is in the other direction" (4/3).

DETROIT FREE PRESS: "Michigan's Rep. Vernon Ehlers (R), one of the few GOP voices of reason on the committee, must have felt like Simba in the stampede of the wildebeests, as the herd ran roughshod over any attempt to introduce some rationality into the debate" (4/9).

Louisville COURIER-JOURNAL: "The bill would put further progress on hold until someone proves the dollar value of healthy rivers matches the cost of curbing pollution. [That] is fraught with potential for abuse and plays into the hands of those eager to use up resources now -- and hang the future" (4/7).

N.Y. TIMES: "The bill includes the committee's own definition of what a wetland is -- a political contrivance so narrow that it would expose millions of acres to exploitation" (4/10).

PALM BEACH POST: "These new Republican leaders told Americans to vote for them last November so they could give the country back to the people. Some of those Republicans apparently want that country to have dirtier air, unhealthier water and a great risk of disease" (3/27).

ST. LOUIS POST-DISPATCH: "Gone from the 1972 Clean Water Act are several major provisions basic to its purpose of purifying the nation's waterways. ... The new standard [for emissions] will be cost-benefit analysis, a wonderful device that trivializes future harm to avoid forcing industrial polluters to spend today what they consider too much money" (4/3).

ST. PETE TIMES: "It's true that industry, agriculture and local governments often have difficulty complying with EPA regulations, and the EPA sometimes should give more weight to cost-benefit and comparative-risk data when establishing water quality standards. But impulsively wrecking the Clean Water Act to satisfy big business is not in the best interest of the American public" (3/29).

SAN JOSE MERCURY NEWS: "Rep. Norman Mineta (D) ... was steamrolled in committee and the outlook is the same for the House as a whole. Patience. The Senate is more sensible, and this would be a Republican mistake" (4/11).

MIAMI HERALD columnist Carl HIASSEN: "[The National Academy of Sciences] will publish its findings [on wetlands] next month -- but suddenly the Republicans don't want to wait. That's because they fear the report will shoot holes in their radical overhaul, and jeopardize its chance of passage" (4/9).

Syndicated columnist James KILPATRICK: "To my deep regret, the 1972 [Clean Water Act] amendments have resulted in a swamp of bureaucratic regulations, and these regulations, as mechanistically enforced by the federal courts, have grossly distorted the original commendable purpose of the act" (MIAMI HERALD, 4/10).

GREAT LAKES INITIATIVE

Cleveland PLAIN DEALER: "As they review the Great Lakes Initiative, state officials should remember that cleaning the lake is not only a good cause, but a smart one. ... Attempts to delay implementation of the initiative, which is scheduled for two years from now, would be unfortunate" (3/28).

DETROIT FREE PRESS: "The Great Lakes are the crown jewels of North America ... . It was worth the trouble it took to draft the initiative to protect them. It is worth a fight to put it into effect" (3/17).

GRAND RAPIDS PRESS: "Research done by the Great Lakes Council of Governors puts the total [cleanup] cost at less than $500 million. That's not cheap, but it's an acceptable deal considering the alternative of Great Lakes degradation" (3/15).

this is a copy

THE PRESIDENT HAS SEEN
4/17/95

Too Many Foreigners

Leon / Hillary FYI

Immigration at current levels, the author believes, threatens the Republic.

ALIEN NATION

Common Sense About America's Immigration Disaster.
By Peter Brimelow.
327 pp. New York: Random House. $24.

By Nicholas Lemann

IMMIGRATION is one of those issues that split American conservatism in two. In the libertarian wing of the conservative mansion can be found the only people anywhere in our political debate who favor completely open borders — like Robert L. Bartley, the editor of The Wall Street Journal, and the economist Julian L. Simon. But the most intense opposition to immigration is also located in the conservative movement, over in the cultural and populist areas, whence came much of the impetus for California's Proposition 187, denying most government services to illegal immigrants. Although there is an anti-immigration tradition within liberalism too, in the main liberals seem to have settled into a sentimental, optimistic, celebratory view of immigrants.

It is this view that Peter Brimelow aims to pick mercilessly apart in "Alien Nation," which is an expanded version of a 1992 cover story in National Review and a book-length articulation of an anti-immigration position that has been bubbling up in more obscure places for several years. Mr. Brimelow, a senior editor of Forbes and National Review, treats his fellow conservatives who support immigration, especially Mr. Simon, as admirable but sadly mistaken — while he goes after the liberals with scornful glee.

One by one he sets up the liberal arguments and knocks 'em down. The United States was not originally conceived of as a nation of immigrants, or even as multiethnic: Mr. Brimelow reminds us that the Declaration of Independence contains a rarely quoted attack on "the merciless Indian Savages." Rather than having been continuous, large-scale immigration to the United States has come in concentrated bursts, which have been followed by long, relatively immigration-free adjustment periods. Rather than being fundamentally multiethnic, the United States was, as late as 1960, just short of being 90 percent white (though how Hispanic Americans were counted at that time seems to be ambiguous).

Today, immigration is at one of its historic highs: counting illegals, well over two million people a year come to the United States, and, compared with past immigrants, far fewer of them ever leave. Immigration accounts for 37 percent of our population growth. Instead of generating economic growth and tax revenues, immigrants, Mr. Brimelow says, are a net drain on the country, crowding public schools, welfare rolls, jails and hospitals. And by their mere presence they exacerbate ethnic tension.

Mr. Brimelow describes this situation in the direst language imaginable: "There is no precedent for a sovereign country undergoing such a rapid and radical transformation of its ethnic character in the entire history of the world," he writes. Possibly the result will be "the snuffing out of the American nation — like a candle in a gale." If that doesn't happen, at the very least, during the next century "American patriots will be fighting to salvage as much as possible from the shipwreck of their great republic."

Buried within the apocalyptic rhetoric is a much more specific complaint, namely, that the 1965 immigration law (the Immigration and Nationality Act Amendments) led to a much higher level of immigration than its authors anticipated and needs to be corrected. In an uncharacteristically calm passage, Mr. Brimelow suggests that legal immigration be cut by about two-thirds.

Passed at the height of the civil rights era, the 1965 law was meant to undo the Quota Act of 1921 and the Immigration Act of 1924, which severely restricted immigration and also gave most of the slots to people from northern and western Europe. Much of contemporary conservatism revolves around the idea that some time in the 1960's the country took a disastrous wrong turn. Mr. Brimelow believes that the wrong turn was specifically the 1965 law, which he blames for ills ranging from the long-term slowdown of the economy to the creation of the urban underclass.

One could hold the position that the nondiscriminatory spirit of the 1965 law was laudable, but that its emphasis on admitting immigrants on the principle of family reunification as well as skills was misguided, and that the sheer number of people coming in now has moved beyond our capacity for absorption. Mr. Brimelow, however, takes an extra step. He wants to keep the immigration flow not just limited, and not just higher-skilled, but also mostly white. A waiting room of the Immigration and Naturalization Service reminds him of the New York subway: he finds each to be "an underworld that is not just teeming but also is almost entirely colored."

Most industrial nations are essentially monoethnic states that allow hardly any immigration at all. Mr. Brimelow admits that the United States has been more successfully multiethnic than any other country, but at bottom he just doesn't believe in the "American idea" that people here can transcend ethnicity through allegiance to abstract national principles like democracy and opportunity. What is required for the successful functioning of a nation, he insists, is "a link by blood."

Even "model minorities" that aren't white arouse Mr. Brimelow's suspicions. Reports of the success of Asian-Americans may be "just another immigration myth." Recently arrived Cubans "in fact participate heavily in welfare." West Indians? "It must be said that nowadays part of their enterprise goes into drug 'posses' and car-theft rings." Judging from a couple of asides, Mr. Brimelow doesn't consider Jews to meet his definition of "white" either; for example, he refers to the Clinton Administration as "a black-Hispanic-Jewish-minority white (Southerners used to call them 'scalawags') coalition." Elsewhere he points out that Jews played a major role in the passage of the hated 1965 immigration law. On the other hand, he calls it "a profound tragedy" that we don't *relax* our immigration restrictions to let in hundreds of thousands of eastern Europeans.

Mr. Brimelow is more an energetic pamphleteer than a reporter. He has done a good job of assembling printed material but, aside from one nocturnal visit to the Border Patrol station south of San Diego, he has not gone out in search of firsthand, irrefutable evidence that immigration actually is eating away at the very core of the country in the way he says it is. At one point he brings up a few pro-immigration arguments and then concludes, disarmingly, "I'm sure I'm right." The reason he's so sure is that it seems impossible to him that any society can remain strong for very long while allowing in large numbers of immigrants from a wide variety of ethnic groups.

When Mr. Brimelow tries to provide tangible details (as opposed to statistics) about the deteriorating fabric of life here caused by immigration, they often have an exaggerated or unproved feeling. He takes it as a given that immigrants no longer want to assimilate. In the near future, he says, Atlanta, Miami and San Antonio "will be communities as different from one another as any in the civilized world." Bilingual education is to him so obviously a program to keep people from learning English that he doesn't even bother to bring up and knock down the official rationale for it, which is that it encourages non-English speakers to stay in school while they learn the language. He views the creation of a secessionist Mexican-American state called Aztlan, a favorite cause of Southwestern student radicals in the 1960's, as a live possibility. Mr. Brimelow is right when he says that there is more risk from too much immigration than from too little, but he doesn't establish that the current situation justifies his level of alarm — and the reason is that he finds the simple fact of substantial nonwhite immigration to be sufficiently alarming.

IGOR KOPELNITSKY

Several times in "Alien Nation" Mr. Brimelow mentions as one of the dangers of immigration that a significant percentage of immigrants will feel alienated from America — the implication being that we ought not to let in too many people who are going to run down the country. This from a man who is himself an immigrant, from England, and who accuses "the American political elite" of "a species of treason"!

Mr. Brimelow's definition of "alienated" is political (it applies to complaints from the left but not the right) and his definition of "America" is racial. The amazing absence of euphemism and disingenuousness in his book helps make it clear why the immigration issue is so difficult: there is often a lot more in the opposition to immigration than straightforward policy-wonk concerns about whether we are letting in the right number of people. □

Nicholas Lemann is a national correspondent for The Atlantic Monthly and the author of "The Promised Land: The Great Black Migration and How It Changed America."

1808
THE PRESIDENT HAS SEEN
4/17/95

THE WHITE HOUSE

WASHINGTON

April 13, 1995

95 APR 13 A11 : 52

ACTION

MEMORANDUM FOR THE PRESIDENT

Lake/
Tyson/
Griffin
copied

FROM: ANTHONY LAKE
LAURA TYSON
PATRICK GRIFFIN

SUBJECT: Your Response to Senator Jesse Helms

Purpose

To respond to a letter from Senator Helms regarding the proposed acquisition by France Telecom and Deutsche Bundespost Telekom of a 20 percent equity interest in Sprint.

Background

Noting that Germany and France do not permit foreign companies to deliver basic (voice telephony) services in their countries, the Senator urges you to support the principle of reciprocity whereby the proposed acquisition of France Telecom and Deutsche Bundespost Telekom would be blocked as long as Germany and France refuse to open up their markets.

He's right!

RECOMMENDATION

That you sign the attached letter at Tab A.

Attachments
Tab A Response to Senator Helms
Tab B Letter from Senator Helms

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

Thank you for your recent letter regarding the proposed acquisition by France Telecom and Deutsche Bundespost Telekom of a 20 percent equity stake in Sprint.

In his recent speech to the G-7 Information Ministerial in Brussels, the Vice President stated that "we intend to open foreign investment in telecommunications services in the United States for companies of all countries who have opened their own markets." My Administration has consistently supported the principle of opening foreign markets as a key element in its international trade policy. I intend to pursue that approach vigorously to ensure that existing restrictions on foreign access to U.S. telecommunications services are lifted only for those companies whose countries provide comparable access to their markets or through multilateral negotiations in the World Trade Organization.

Although I cannot comment on the merits of the France Telecom/ Deutsche Bundespost Telekom petition for a declaratory ruling currently pending before the Federal Communications Commission (FCC), my Administration will soon provide comments to the FCC on its Notice of Public Rule Making concerning whether the "public interest" criterion for granting foreign access to the U.S. telecommunications market should include an assessment of the degree to which the petitioner's country of origin grants market access to U.S. firms.

I appreciate knowing your views on this subject.

Sincerely,

Bill Clinton

The Honorable Jesse Helms
United States Senate
Washington, D.C. 20510

'ESSE HELMS
NORTH CAROLINA

1808

United States Senate

WASHINGTON, DC 20510-3301

February 27, 1995

'95 MAR 2 P5:58

The President
The White House
Washington, D.C.

Dear Mr. President:

The government-owned German telephone company, Deutsche Bundespost Telekom and the government-owned French telephone company, France Telecom, are seeking approval to acquire a 20 percent interest in the U.S. long distance carrier Sprint. Several federal agencies are involved in reviewing this proposed transaction.

Germany and France do not permit foreign companies to offer or participate in the delivery of basic telecommunications services in their countries, yet the government-owned companies of Germany and France seek access to the U.S. telecommunications market.

I strongly support the principle of reciprocity whereby foreign interests seeking access to U.S. markets should be eager to ensure that U.S. companies receive comparable access to their home markets.

Why should the United States grant access to its markets if the German and French governments refuse to open their markets?

I am informed that Vice President Gore has raised with the Europeans the issue of comparable market access. It is important that the Administration use every available and appropriate means to persuade other countries to open up telecommunication markets.

Sincerely,

Jesse Helms

Office of the Vice President

Domestic Policy
Old Executive Office Building
Washington, DC 20501
(202) 456-6222

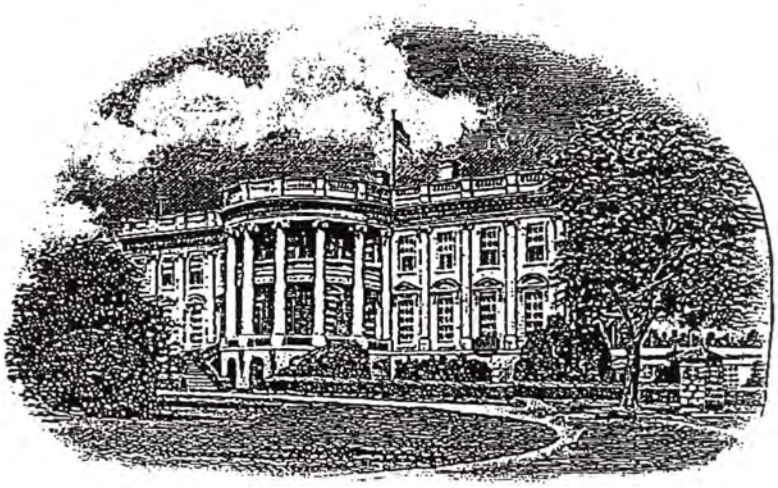
TO: Tony Gardner

FROM: Kristin Schneeman

DATE: 3/8/95

number of pages including cover: 2

COMMENTS: Call me if you can't read Greg's edits.



March 9, 1995

Senator Jesse Helms
United States Senate
Washington, D.C. 29519-3301

Dear Senator Helms:

Thank you for your letter of February 27 regarding the proposed acquisition by France Telecom and Deutsche Bundespost Telekom of a 20 per cent equity stake in Sprint.

In his recent speech to the G-7 Information Ministerial in Brussels, the Vice President stated that "we intend to open foreign investment in telecommunications services in the United States for companies of all countries who have opened their own markets." (emphasis added) My Administration has consistently supported the principle of comparable market access as a key element in its international trade policy. I intend to pursue that approach vigorously so as to ensure that existing restrictions on foreign access to U.S. telecommunications services are lifted only for those companies whose countries allow comparable access to their markets.

Although I cannot comment on the merits of the France Telecom/Deutsche Bundespost Telekom petition for a declaratory ruling currently pending before the Federal Communications Commission ("FCC") regarding this proposed transaction, I can assure you that the issue which you raise will figure prominently in the FCC's examination.

can we say this?

~~I support the FCC'~~s Notice of Public Rule Making concerning whether ~~whereby~~ the "public interest" criterion for determining whether to granted foreign access to the U.S. telecommunications market should ~~will~~ include an assessment of the degree to which the petitioner's country of origin grants comparable access to U.S. firms. ~~The lack of liberalization of foreign telecommunications markets is of particular concern in markets, such as France and Germany, where the dominant carriers are seeking to ally with, or acquire equity in, U.S. carriers. A failure to insist on comparable market access in such a situation would prevent several U.S. carriers from competing in lucrative foreign markets which are vital to our nation's economy.~~

I thank you for sharing your thoughts with me on this subject and look forward to any further observations you may have in the future.

mentioned in the VP's statement in Brussels,

The Adm will soon provide comments to the FCC on its

Sincerely,