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RESTRICTION CODES

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McArdle → See me re: This BE POTUS

FOREIGN MEDIA REACTION DAILY DIGEST

USIA THE PRESIDENT HAS SEEN 5/16/95

U.S. INFORMATION AGENCY, WASHINGTON, DC 20547

OFFICE OF RESEARCH AND MEDIA REACTION

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Wednesday, April 25, 1995

OKLAHOMA BOMBING: PRESIDENTIAL LEADERSHIP, SOCIAL 'SICKNESS,' SIGNS OF STRENGTH

Foreign media analysts from Manila to Montevideo continued to comment prolifically on the bombing of the Murrah federal building in Oklahoma and to speculate on both the root causes of the apparently "home-grown" U.S. terrorism and potential remedies or preventive measures. Many writers praised the U.S. public response, especially its efficient law enforcement apparatus and the outpouring of care and concern that followed the tragedy. Some commentators also examined the scourge of international terrorism and wondered how the global community could curb the lurking dangers without unduly restricting freedom.

Numerous editorialists praised President Clinton for demonstrating much needed leadership and noted that citizens are automatically looking to him--and not to the Congressional leadership--to guide the country through this domestic crisis. Dublin's liberal Irish Times lauded the president for giving "constructive intervention to a nation whose image of itself has been shattered by the bomb," and compared his "prompt reaction and consoling words" to the "steadying effect of Presidents Wilson and Roosevelt during the First and Second World Wars." The president garnered particular praise for his obvious and heartfelt attention to the plight of the affected children.

Opinionmakers observed that Americans remain shocked not only over the horror and carnage of the bombing, but also that the suspected perpetrators are native-born Americans. A few writers found this puzzling, given their perception of the past history and culture of violence in America. London's conservative Daily Telegraph underscored the bemusement: "However much violence there is, most Americans would still be surprised to be told that life is safer elsewhere." A majority of journalists saw in the Oklahoma bombing reflections of a 'sick' American society. Analysts cited as menaces endangering the security and well-being of the U.S. the proliferation of firearms, inequitably distributed wealth, systemic social and political flaws, lack of personal discipline, constitutional protection of "fringe" associations and publications, and ignorance of the reality that "words can be as dangerous as dynamite." Critics worried that the popular right-wing talk shows were fueling a growing current of anti-government sentiment in the U.S., and some pundits also blamed the Republican Party. Influential Le Monde of Paris, for example, asked, "Haven't the Republicans made a priority of cancelling the modest security measures Bill Clinton courageously imposed in order to limit the sales of firearms?"

Some media voices--especially within the Islamic orbit--roundly chastized American public opinion and the press for concluding too soon that all terrorists must be foreign and are likely to be Middle Eastern. Manila's pro-business Malaya admonished, "the car bomb is not the monopoly of hooded, olive-skinned and hirsute zealots wearing funny caps on their heads."

This report is based on 137 commentaries from 50 countries, April 22-26.

EDITORS: Rose Sue Bernstein and Diana McCaffrey

EUROPE

BRITAIN: "Political Fallout Still Spreading"

Reporter Bill Turnbull observed from Washington on BBC TV's Breakfast News (4/26), "The political fallout from the Oklahoma explosion is still spreading, with President Clinton stepping up his crusade against what he calls the 'rhetoric of hate', wherever it comes from.... According to the White House, the verdict of the voters so far supports President Clinton's handling of the Oklahoma tragedy. It is, however, an extremely sensitive subject: One false step and the pendulum could easily swing the other way."

"The Price For America"

The liberal Guardian's Washington correspondent Martin Walker commented (4/26), "This is a serious question: Is American culture just routinely sick in its obsessive pursuit of self-destruction, or is it now certifiably insane?... The armed and angry white males of America are the psychopathic price to be paid for the furious energies of what remains the most consistently exciting and creative society on the planet. While the rest of us suffer collateral damage, it is a price paid mainly by Americans themselves. Perhaps after Oklahoma, they might reconsider what it really costs them."

"At Last, A Clear Domestic Crisis For Clinton"

The centrist Independent editorialized (4/25), "Swift justice, the death penalty, fresh powers for the FBI: Bill Clinton's rhetoric after the Oklahoma bombing suggests an opportunistically spotted turning point. This is the president as strong man, not abroad but at home, as paterfamilias, protector for the people. Amid the firmness, the reassuring sense of purpose, there is a hint of the authoritarian, as President Clinton slips instinctively into the tough talk of his native South. Uncomfortable with foreign policy issues, at last the president has a clear domestic crisis around which he can rally his fellow citizens...."

"What an irony that we should be witnessing the buttressing of the state as judicial authority at a time when on every other front the state is retreating. President Clinton, indeed the American system of government, has failed utterly to grapple with the country's public finances, creating global financial tremors which cost jobs and growth. Likewise, he could not deliver his key campaign promise of affordable health care for all."

"Main Enemy Right Here At Home"

Christopher Hitchens said in the conservative tabloid London Evening Standard (4/25), "I don't know quite why it has taken so long for the domestic Nazis to get attention. They have proved repeatedly that they have the means and the will to kill. They have assassinated talk show hosts--like Alan Berg in Colorado--who disagree with them, and they have repeatedly targeted buildings of the Federal bureaucracy for high-explosive treatment. They put out videos which show their training camps and their armories. Nor do they try and conceal their aims and objectives.... I think a lot of people wish they could have last Thursday over again. Not just the parents who waved goodbye to their children in Oklahoma City, but the tenants of the bigmouth pundit circuit that now plays such an over-rated part in American life...."

"Say what you will about Newt Gingrich or even Jesse Helms, they have never encouraged or even imagined this kind of thing. On the other hand, they do seem slightly uncomfortable with the notion of the all-American, home-grown, right-wing murderer and they also seem unsure of the idea that capital punishment or martial law could take care of it. So, let the ironies begin.... The main enemy is right here at home."

"Violence And America"

Writing in this conservative Daily Telegraph (4/25), deputy editor of the conservative weekly Spectator (and American) Anne Applebaum reflected: "Has America really 'lost its innocence' in this terrorist bombing? Where does the conviction that 'this sort of thing shouldn't happen here' come from? It is not as if violence were generally unknown in the United States.... However venerable its history in America, terrorism is still perceived as something that happened to foreigners; however much poverty there is, in America, poor people are still thought to be an aberration, a problem which can be made to go away; however much violence there is, most Americans would still be surprised to be told that life is safer elsewhere."

GERMANY: "Internal Rivalries"

Jens Eckhardt wrote in business-oriented Handelsblatt of Duesseldorf (4/26), "The sudden awakening from the illusion that terrorist attacks only happen abroad is harboring the danger that, when it comes to an overhasty race of the parties for the tightening of laws, noble traditions of an open society go overboard. The biggest obstacle that could prevent a better defense of the United States against terrorism are not the lack of laws, but the rivalries between the various authorities. In addition, conservative Republicans could offer a more constructive contribution in Congress than constantly calling for the death penalty by stopping their rhetoric against Washington in general and taxes in particular. This also includes their campaign for a lifting of the ban on the sale of semi-automatic weapons and their platitudes about the 'revolt of annoyed white men,' which offers fertile ground for right-wing extremism."

"Fire Not Hot Enough Under Melting Pot"

Kurt Kister observed in centrist Sueddeutsche Zeitung of Munich (4/26), "The bomb of Oklahoma has cast a sharp light on the dawning end of the American dream of the relatively homogeneous white middle class. For many, the... 'Pursuit of Happiness' consisted of a house in a suburb, two cars and the financing of their kids' education at college.... But this picture has now profoundly changed. After America formed its identity in the well-known melting pot for more than 150 years, the fire is no longer hot enough under this melting pot. The integration attempt seems to have failed.... Poverty, crime and the disintegration of the family create de facto apartheid between inner cities and the suburbs.

"One reaction to these changes is the creation of uncertainty among white, male voters. They made the Republican landslide victory in November possible.... But new reactionaries also sail in the wake of this new conservatism. This is a minute minority but the figures are, nevertheless, horrifying. Militia groups...have more than 10,000 members.

"A movement whose propaganda again and again predicts the final battle between the 'true patriots' and the 'un-American centralists' is encouraging violence. Inevitably, some lunatics must show up some time in their ranks and implement these daily tirades of hatred into criminal acts."

FRANCE: "Well-Handled"

Influential Le Monde (4/26) remarked, "The Americans are grateful to the President for his way of managing the affair."

"Clinton Has Center Stage"

Benoit Laporte said on Europe One radio (4/25): "Taking advantage of this climate of national unity, Bill Clinton wants Congress to rapidly pass new security laws to fight terrorism. On this point, he is supported by his Republican adversaries, who have remained very discreet since the bombing, and have let the president have center stage to himself."

"Republicans Have Encouraged Far-Right Groups"

Le Monde (4/25) held, "We had forgotten, perhaps intentionally, that political and religious extremism can also be found in our societies.... Extremism is not only due to misery and oppression. Japan and the United States just experienced this in a cruel way.... Domestic extremism is more worrisome than a foreign threat because these groups very often reflect the dominant values in societies.... In that sense, industrial societies have their own fundamentalists.... In the United States, far-right groups such as the Patriots may have been encouraged by the Republican Party's irresponsible rhetoric. Haven't the Republicans made a priority of cancelling the modest security measures Bill Clinton courageously imposed in order to limit the sales of firearms?"

"Painful Wound"

Stephane Marchand commented in conservative Le Figaro (4/25), "At the bottom of their hearts, many Americans would have preferred that the murderer be an Islamic fundamentalist. But the Oklahoma bombing was perpetrated by an ordinary American. For the most open society in the world, the wound is more painful. The United States has started to wonder: Have we become just like any other country?"

ITALY: "Clinton Accuses Rightist 'Sowers Of Hatred' Behind Bombing"

Washington correspondent Paolo Passarini maintained in centrist La Stampa (4/26), "With a violent attack on the 'sowers of hatred,' Bill Clinton has begun the politicization of the debate over the bomb attack in Oklahoma City.... Clinton did not mention specific names and was very careful not to indicate connections between rightist religious preachers and the conservative revolution promoted by Newt Gingrich.... The first opinion polls indicate that 84 percent of Americans appreciate the moderation and the determination displayed by Clinton in the hours following the tragedy. Faced with an almost desperate race toward reelection, Clinton has now decided to go on the offensive with a strategy which may make him lose the consensus he has earned over the last few days as the president of 'all Americans.'"

"A Black Shadow Over Congress"

Washington correspondent Ennio Caretto commented in centrist, top-circulation Corriere della Sera (4/25), "Like the Kennedy assassination, the Oklahoma City bomb attack is taking on the characteristics of a mystery story as days go by. Yesterday the specter of a political track began to emerge over the coffins of the victims--in fact, of a Congressional track, as if the plotters had a 'man' in Washington.... In a heartfelt speech in the Midwest yesterday, President Clinton asked Americans to make their voices heard against the armed rightist groups."

BELGIUM: "Culture Of Violence"

Sus Van Elzen wrote in liberal weekly magazine Knack (4/26), "They started to call it 'the disaster' immediately after it became clear that it was not the work of people from the Middle East or from the other side of the Rio Grande, but of real, genuine Americans...."

"In the United States, there are associations and private militias--grouped in an endless series of organizations--going from the National Rifle Association to the Ku Klux Klan. These are Americans who love weapons and who adhere to a kind of fundamentalist faith--in the idiot sense of the word--which they love to call patriotism and which is often a mixture of nonsense from 'Christian' sects and old anti-Semitism, American Far West mythology and seasoned neo-Nazism. They are members of private militias, participate in military training camps and believe that the fatherland is being sold--by Bill and Hillary Clinton, by Hillary Clinton in particular, and by the Democrats certainly--to Zionism and the UN. They also think that Zionism and the UN--it sounds like slapstick but it is not--will take over the country soon...."

"The culture of violence is even more incurable as police services are also penetrated by it--a local sheriff views the local militia leader as a volunteer colleague rather than as a danger to society. Each attempt to control this situation is met with hysterical resistance from the groups--the NRA in the first place--because their reason to exist lies precisely in the resistance against any attempt to control them. If President Clinton wants to create anti-terror bureaus and possibilities to infiltrate those armed groups...it is certain that the new provisions against terrorism will be used, first, against Arabs or Muslims and against gun-toting groups of white men only when it is really impossible to act otherwise."

CANADA: "Clinton Has Done His Nation Proud"

In the words of the liberal Toronto Star (4/22), "Fear, helplessness, paralysis is what the terrorists seek. That is precisely what the good folks of Oklahoma and all American have done in the face of the deadliest terrorist attack in North American history.... As for the official response, the FBI and other agencies have been remarkably swift in casting a wide net to catch the culprits who'll no doubt bear the brunt of the full force of the law. And President Bill Clinton has done his nation proud by warning Americans not to rush to judgment about the guilt of anyone based on rumor. 'This is not a question of anybody's religion,' he said bravely, squelching crude media speculation on the ethnicity and religion of the culprits."

IRELAND: "Leading From The Front"

The liberal Irish Times (4/26) held, "The deep trauma into which the United States has been plunged by the appalling carnage in Oklahoma may have effects reaching beyond the normally short time-span of disaster in the television age. President Clinton has responded with unexpected vigor not only to the challenge of providing immediate help by setting up an emergency task force but also, and just as necessary, giving leadership and an air of constructive intervention to a nation whose image of itself has been shattered by the bomb...."

"To cities like Oklahoma, and all other communities which see their placid stability suddenly made vulnerable by last week's bomb outrage, Mr. Clinton's prompt reaction and consoling words have helped to restore a kind of normality, rather like the steadying effect of Presidents Wilson and Roosevelt during the First and Second World Wars.... Oklahoma offers him a new crusading issue, reinforced by the general revulsion at the most devastating act of terrorism in the history of the United States--patently springing from home-grown causes and not, as many people probably hoped, a spin-off from foreign terrorism like the bomb attack on the World Trade Center in New York. He has a rare opportunity to mobilize public opinion against the advocates of laissez-faire who, in instances such as this, open the door to uncontrolled savagery."

THE NETHERLANDS: "Resistance Against Government In U.S. Very Old"

Influential, liberal left De Volkskrant (4/26) ran Washington correspondent Oscar Garschagen's remarks that, "We now have a political climate in the U.S. in which disturbed figures like McVeigh and para-military organizations like the Michigan Militia can easily settle and get acknowledgement. Under the cover of freedom of expression, extreme right groups obtained access to air time and...hardly any limitations are imposed on conservative talkshow hosts.... It is tempting to connect the Republican revolution, the increase of para-military organizations, and the attack in Oklahoma.... However, the democratically elected Republican majority...cannot be held responsible for the actions of a bunch of fanatic and crazy war veterans. This does not negate that politicians--and certainly leading figures like Newt Gingrich--should realize that they can evoke forces they cannot control. For Gingrich's 'fellow travellers' in the woods of Michigan, Idaho, and Arizona are capable and prepared to take the law into their own hands."

NORWAY: "Clinton Should Act Now Against Fanatics"

Top-circulation independent tabloid Verdens Gang opined in its (4/28) edition, "The Oklahoma bombing should be the starting point for a clean-up of the trigger-happy protest environment in the United States.... President Clinton's dilemma is that an attempt at total disarmament may trigger new insane attacks by people high on a mixture of racism, conspiracy theories, weapons romanticizing, Christian fundamentalism and Judgment Day myths. Continuing a soft line could entail greater growth of the 100 citizen militias that are now organized in 40 of the 50 states, and have approximately 50,000 members...."

"The militia members of today are also training with machine guns, rockets and mortars. They are learning all they can about bombs and toxic weapons, and have advanced equipment for surveillance and night warfare.... Clinton is depicted as a liberal puppet for global conspiracies, again with the Jews in a main role, or 'the Lucifers,' representatives of Satan himself.... Vietnam War veterans who feel betrayed by society make up a dangerous core of the militias.... The fanatics are now talking about 'the new American revolution', which they believe must be initiated before the beginning of the third millennium. Clinton must act well in advance, preferably right now, while the outrage caused by the bomb massacre is still hot."

"A New And Bloody Road For American Extremism"

Social democratic Arbeiderbladet (4/24) opined, "Extreme right-wing militias are no new phenomenon in American history. The militia tradition and gun culture are old, going back to the pioneering days.... During the last few years, the militias have been both provoked and inspired [by] the Clinton administration's initiatives for a more responsible gun control...[and]...the large steps forward taken by the reactionary right during [last year's] Congressional election.... The progress of the Republican right has legitimized the entire reactionary side in the United States. At the same time, national and international media have given the militias benevolent publicity. Right-wing extremist militia leaders have been portrayed as reliable fathers, preachers, and home protectors who emphasize faith and morality.... The danger is that the Oklahoma bombing has crossed a line for the most extreme within the militia movement who will regard it as a sign that the forewarned war has begun at last. [Timothy] McVeigh may therefore have opened a new and bloody road for American right-wing extremism."

RUSSIA: "Terrorists Played Into Their Worst Enemy's Hands"

Vladimir Kozlovsky observed in reformist Segodnya (4/26), "No one would have remembered Clinton, but for the attack in Oklahoma City. A day before it, Clinton gave a press conference, his fourth in the two years since he took office.... Correspondents continued attending ceremonies and briefings in the White House, but editors spiked their reports, trusting Clinton's jig was up.... Now with Clinton on the screen all day long and Americans rallied around him in their grief, it looks as though the terrorists played into the their worst enemy's hand."

"Stunned America"

Vladimir Nadein commented from Washington in reformist Izvestia (4/25), "These people (the Michigan Militia) have the same roots as the majority who gave the Republicans a resounding victory during the latest elections to Congress. They are the extreme part of [the]...new conservatism in America. Even though the Middle East trail--so dear to experts in the all too familiar Asian terror--has proved false, rebukes by a number of Muslim pundits do not seem fair. Surely, in the first days after the tragedy, many Americans fell easy prey to stereotypes...and it was some time before suspicion and accusing screams...gave way to apologies. People are only beginning to comprehend what happened.... It was not for nothing that the president, during the mourning ceremony, spoke of 'dark forces.'..and proposed a program for combatting terrorism...."

"America's revulsion at the monstrous brutality of her young men, raised in her schools, trained in her army, and brainwashed in her patriotic, hysterical extremes...all that is now a subject of heated debates.... How many people are there in the militia? It appears that Americans were really stunned as they looked into this matter."

"Swift U.S. Law Enforcement"

Sergei Ivanov observed in reformist youth Komsomolskaya Pravda (4/25), "A crime situation in a country is characterized not by the number of thieves and rogues but by the ability of the law enforcement agencies to render them harmless in time. It took about 48 hours to apprehend the first suspect in the case of the terrorist attack in Oklahoma city."

SLOVENIA: "America Paying For Its Past"

Left-of-center Delo opined (4/26), "The majority of the American public unhesitatingly accused... 'types from the Middle East' for the tragedy in Oklahoma City.... In their accusations, Americans simply forgot that America has since the old days been a nest of terrorism and that the most infamous international terrorists were educated at American institutions.... American extremists have killed four presidents while six (presidents) have survived assassinations....

"Now, America is paying for its past (too careless) support of various extremist groups around the world, which it supported financially and with weapons. Of course, the support was of an exclusively political nature. It served the interests of U.S. policy in certain regions. Now, this 'support' hit America itself like a boomerang.... The tragedy in Oklahoma City gives the American government a unique opportunity to sweep in front of its own door and reconsider carefully its further support for different political organizations worldwide."

"Intolerance Still Alive In U.S."

Left-of-center Dnevnik (4/25) commented, "What happens with the collective state of mind of a nation which finds it hard to admit the crimes of its heroes and the mistakes of its (government)? With the...Oklahoma City bombing, the deeply rooted conviction about an outside danger has collapsed.... The Oklahoma City bombing has rubbed the existing wounds of American society with salt, rather than opening the old ones. Namely, everything that is supposed to be long dead in the American collective mind is still very much alive; the intolerance, racism, and militance of the Ku Klux Klan's successors are just a part of it. Now, the White House and (Congress) will have to say something about it. The ping-pong with the bill on crime control and free purchase of weapons will no longer suffice. Now, America trembles with the fear of violence bred by this parade-horse of democracy."

SPAIN: "An Enemy In The House"

Liberal-left El Pais (4/25) carried an editorial on the ideology motivating the perpetrators of the Oklahoma bombing that said, "They are Nazis and they have proliferated thanks to an anti-liberal, fanatical and ultraconservative message preached through the mass media--a message [that foments] against intellectuals, Jews and taxes.... Americans are experiencing the shock of having an enemy in the house and they now know that the underground of beloved America also hides the serpents of Nazism....

"But let us hope that they realize in the end that those messages of intolerance and hatred which feed these serpents are the same messages received and welcomed by those who are today horrified by this crime."

SWITZERLAND: "Clinton Riding On Wave of Emotion"

Center-left Le Matin of Lausanne held (4/26), with a subhead, "It's Bad Form to Say So, but There's Nothing Like a Disaster for Rallying Americans Around the President": "Clinton, whose last press conference was snubbed by major television networks, is now on every TV screen, expressing with his Southern preacher's gift the country's sorrow and anger. The extreme right has suddenly become unpopular.... The arch-conservative speaker of the House, Republican Newt Gingrich, is now on the defensive, protesting that it is 'grotesque' to confuse the right wing with its extreme elements. But he is under fire. His attacks on the government, taxes and gun control match those, hardly more virulent, coming from the militias. And America has rediscovered Clinton, who only a few days ago was compelled to declare that he was still relevant. He now has to cash in politically on his new image."

TURKEY: "U.S. View On Terrorism Expected To Toughen"

(Retired Ambassador) Sukru Elekdag wrote (4/25) in mass appeal Milliyet, "Terror in the heartland deeply shattered the United States and made terror the number one agenda item. The public outrage will inevitably affect American foreign policy. No matter who the criminals are, the United States from now on will be very impatient about terrorism and the countries which resort to terrorism for their foreign policy goals.... Turkey must carefully evaluate the U.S. view on terrorism, which is expected to toughen a lot.... Turkey must do its best to take advantage of this in order to establish international pressure on Syria."

EAST ASIA AND PACIFIC

AUSTRALIA: "Clinton Must Seize The Moment"

The liberal Canberra Times' editorial (4/25) held, "That the bombers seem to come from the ranks of the nation's far right gives the president...an unparalleled opportunity to capture the high ground of national politics and make progress on efforts to curb the proliferation of firearms. Only last month Republican presidential front-runner, Senator Bob Dole, promised legislation to allow automatic weapons back on the street, cancelling the one major achievement of the administration's anti-gun campaigns. If Mr. Clinton could seize the moment, Republicans might join in a program to attack the causes of alienation in American society. Unfortunately, Mr. Clinton's record suggests he will not exhibit the strength of purpose to see such a strategy through.... Unless Mr. Clinton takes the lead to assert the essential value of the politics of compassion against the far right ideologues, the fractures in U.S. society which produced the Los Angeles riots and the Oklahoma bombing will become gaping caverns of permanent menace."

JAPAN: "Frustrations"

New York correspondent Konaka filed for business-oriented Nihon Keizai (4/26), "Motives for the fatal bombing of the Alfred P. Murrah Building are not known immediately."

But behind the 'mushrooming' growth of militias and other armed civilian organizations in American society are frustrations that Americans, particularly middle or lower-income white people, harbor against the federal government in Washington. As frustrated Americans become prone to violence, a marked increase in the number of militia and other armed civilian organizations is beginning to cast a long, dark shadow over American society."

"Social Illness Behind Bombing"

Liberal Asahi's New York correspondent Kiyama wrote (4/25), "Behind the deadly bombing incident is a growing drift of public opinion toward conservatism and the existence of a 'sick America' in which people resort to guns or acts of violence easily and immediately."

CHINA: "Tragedy For All Mankind"

The official China Youth Daily (4/23) ran the following comment by Washington correspondent Li Zhengxin: "The American people's sense of security as a society has been seriously threatened.... Some people even worry, now that the terrorist can today carry out terrorist activities by using explosives made of chemical gas and chemical fertilizer, and there is no guarantee that they will not carry out terrorist activities some day by using the weapons of mass destruction--atom bombs. If such a possibility really does become reality, that would really be a tragedy for all of mankind."

INDONESIA: "Why Is There Terrorism In U.S.?"

Independent Jawa Pos of Surabaya editorialized (4/24), "Terrorism often occurs in countries that fail to distribute their economic resources and political power equally. Relatively speaking, this is rarely the case in the United States, making the high rate (sic) of terrorist acts in the United States difficult to understand. Perhaps claims by the United States that it is the leading welfare state are no longer true.... The United States is no different from other countries. It has weaknesses in its social-political and administrative systems that...keep (large segments) of society from participating in its democratization. In social and cultural terms, racism is still strongly felt.... The U.S. government should look in the mirror (and see) terrorism as a reflection of the defects in its social-political and economic systems."

"Astonishment As U.S. Citizen Becomes Prime Suspect"

Independent Surya of Surabaya remarked (4/24), "The capture of the prime suspect...astonished most Americans.... In their minds, the one responsible for the blast had to be a foreigner from the Middle East."

"Who Was Behind Oklahoma Bombing?"

Christian-oriented Sinar Indonesia Baru of Medan (4/24) commented, "That there are many illegal organizations in the United States reflects the human rights issue of allowing people to form organizations. Since James Nichols is a member of the right-wing Michigan Militia paramilitary organization, it is fair to suspect that there might be a group behind the Oklahoma bombing that is trying to impose its will by means of terrorism."

"U.S. Cities Increasingly Vulnerable To Terrorist Attacks"

Independent Mimbar Umum of Medan opined (4/22), "The feeling of security can no longer be maintained, not only for the citizens in Oklahoma City, but also in all big cities in the United States. Good citizens of the United States at the moment seem to have reason to question their safety. President Clinton is now faced with a heavy task. The death penalty cannot guarantee that the feeling of security will be restored. We would like to convey our sympathy and condolences to the innocent victims...of this tragic bombing."

PHILIPPINES: "Tragedy Shows Best Side Of President And U.S."

Publisher Max Soliven wrote in the conservative Philippine Star (4/25), "Watching Clinton on television, I can say that I had never seen this Great Communicator Part II more eloquent. His message was both heartfelt and moving, none of his wimpish impulses...showing. The emotional event...was characterized by prayer and hymn-singing.... What we are witnessing in the aftermath of that tragedy is a glimpse of what makes America strong. For all their faults, the American people are a nation that still prays, that still believes in God, and the promise of tomorrow...unbowed by the weight of disaster."

"Efficient U.S. Law Enforcement"

Columnist Sonny Coloma remarked in leading economic Business World (4/25) on the "efficiency with which the Federal Bureau of Investigation and other law enforcement agencies handled the aftermath of the bombing.... Another interesting insight...was President Clinton's particular attention to...young children. He...urged them to reaffirm their belief in the essential goodness of their fellow human beings despite the dastardly crime."

"Tragic Surprise On The Home Front"

In an editorial opposing the setting up of separate offices for a diplomatic envoy and a special police unit to deal with terrorism, the pro-business Malaya (4/25) commented, "The United States, possibly the country with the most sophisticated counter-terrorist apparatus outside of the clearly police states, just found out that the car bomb is not the monopoly of hooded, olive-skinned and hirsute zealots wearing funny caps on their heads."

SINGAPORE: "Can U.S. Face Reality On Terrorism?"

Pro-government, Chinese-language Lianhe Zaobao held (4/24), "All governments and law-abiding citizens share the same position on combatting terrorism. To do this, however, the governments and their people have to pay a price. In the United States, the government must exercise political courage in the control of firearms. It must not retreat at once in the face of obstacles. It must adopt a consistent and clear-cut position on punishment, not waiting for a tragedy like the one in Oklahoma City to occur before highlighting the need for imposing the death sentence on murderers. Most important of all, terrorism and other illegal activities can be kept in check only when the public is prepared to accept some discipline. However, as the Americans are accustomed to having so much freedom, will they care to examine the root of the tragedy once the shock is over?"

"Unmask The Face Of Terror"

The pro-government Straits Times (4/22) opined, "Terrorism is terrorism anywhere. But the ease with which relentless terror reached into the heartland of America shows that terrorism is everybody's problem.... Apart from trans-national terrorist organizations, there are rogue regimes which use it methodically to wage low-level war against other countries.... It is important not to pre-judge the facts of this case.... However, the larger scourge of terrorism is the work of a truly global network, silently and ruthlessly efficient, financed and often directed by the secret services of known rogue governments. Religion has nothing to do with it. The cynical exploitation of religion in the interests of power has everything to do with it. Unfortunately, the real injustices prevailing in large parts of the world make it easy to recruit young, angry, sometimes idealistic but quite often naive people to its dark purpose...."

"That is the challenge today, not least because the possibility of nuclear and biological weapons falling into terrorist hands is so much greater. Countries must come together against terrorists and their faceless masters. The networks of terror must be broken.... Otherwise, the Oklahoma massacre will become just another grim statistic, overshadowed by grimmer attacks and greater casualties."

SOUTH KOREA: "Tragedy Political Plus For Clinton"

Moderate Hankook Ilbo (4/26) said, "The Waco incident two years ago was a debacle for President Clinton, setting him up for severe criticism. The Oklahoma bombing did the opposite, making him a 'trustworthy president.' He acted speedily and with confidence. In other words, the tragedy was a political plus for him."

THAILAND: "FBI's Excellent Work, Bombers' Ruthlessness"

According to the mass-circulation Daily News (4/26), "The Oklahoma incident reveals many important points worth mentioning. They include...the up-to-the-minute news coverage...swift actions by all concerned U.S. authorities which reflect preparedness...the excellent work of the FBI in tracking down the suspected perpetrators...the incredible ruthlessness of the bombers and the presence of fanatics potentially capable of committing such annihilating acts."

"Some Thoughts On U.S. Bombing Incident"

Elite Matichon (4/25) commended U.S. authorities for their "swiftness in the arrest of the bombing suspects," took Thai authorities to task for their failure to arrest any culprit in a similar terrorist bombing attempt in Bangkok last year and concluded, "Terrorists of any affiliation, no matter left nor right, should be reminded that they should refrain from inflicting suffering on innocent bystanders."

"Reflecting On Terrorism--From Oklahoma to Bangkok"

The Nation's Thai-language sister publication, Krungthep Turakij (4/25), opined, "Thailand was once called the region's terrorism paradise. Therefore, serious concern should be given to lives and properties of the Thais, and particularly to all embassies and international organizations, because there is no guarantee that such incidents will not be repeated here."

"The police's ordered monitoring of dubious foreigners and stepping-up of security measures at diplomatic installations is but a piecemeal solution. One of many other actions they ought to take is to tighten the control on the sale of materials used to produce bombs."

MIDDLE EAST

EGYPT: "The Bombing, International Cooperation, NPT"

Samir Ragab, the chairman of the board of pro-government Al-Gomhouriya, (4/26) commented, "President Clinton's statement that the Oklahoma terrorist operation will be the last, reminded me of a statement by a former (Egyptian) interior minister who continued to repeat such statements.... Then other incidents occurred.... Thus no one can be sure what will happen in another American state, especially since extremist groups are increasing in power...linked with a mutual aim, namely blood.... The solution, as President Mubarak has indicated...lies in the need to lay the basis for international cooperation...without exception. Experience has proven that 'double standards' harm...and provoke those who find themselves placed in the rear of the international arena! We are seeing the most horrible example of discrimination in New York, where the United States is calling for the universality of NPT, while excluding Israel!"

ISRAEL: "A Dangerously Sick Society"

Columnist Shmuel Schnitzer commented in independent Maariv (4/25), "The Oklahoma City bombing may be a warning signal to America-idolizers. America is undoubtedly a country of unparalleled wealth and might, but it is also a very sick society Europeans have realized that neo-Nazism and denial of the Holocaust are worse than dynamite, but in the U.S. both neo-Nazis and people who deny the Holocaust are protected by the Constitution.... If the Oklahoma tragedy fails to make Americans realize that words can be just as lethal as dynamite, the New World may not escape the same madness that transformed the Old World into a slaughter house."

"Remarkably, Clinton Shows He Cares"

Columnist Sarah Honig commented in the right-wing Jerusalem Post (4/25), "I was envious when I saw President Clinton and the First Lady on TV talking to a group of children...in the White House Oval Office.... One can hardly imagine our national leader bothering to devote a passing thought to the traumatic impact of terror on young, impressionable minds.... Perhaps President Clinton was also seeking to improve his political prospects by playing host to the well-groomed offspring of federal employees. But seeming to care looks a whole lot better than brushing off the citizenry as bothersome nuisances."

ALGERIA: "Terrorism Needs A Global Solution"

Independent El Watan front-paged these remarks by Mohamed Ali (4/26): "Terrorism is everywhere and needs a global solution. Should Americans suffer more before their government reacts against this universal danger? It's not too late."

BAHRAIN: "Terrorists Must Be Brought To Justice"

Influential Al-Hayat stated (4/22), "Whether those who executed the explosion are Arabs or non-Arabs, they are criminals who must be severely punished. Really it has become important to end terrorism which has become a burden on the reputation of the Arabs and Muslims and their relations with the rest of the world."

JORDAN: "Through The Looking Glass"

Top-circulation, pro-establishment Al-Ra'y columnist Tarek Masarweh held (4/25), "We do not know if President Clinton can convince the American social and political forces to look to the inside for terrorism, poverty and crime, rather than to search for Islamic terrorists' and 'criminals with Middle Eastern features.' Looking to the inside of the United States requires great courage, which is very much lacking in the U.S. traditional policies."

"The Phenomenon Of Violence: The True Reasons"

Center-left Al-Dustur's columnist Saleh Qallab wrote (4/25), "The violence that is currently taking place throughout the world stems from a number of factors which can be summarized as follows: the human community's rejection of the control that materialism has over values and the resulting huge spiritual vacuum; and the rejection of having one country, the United States, control the world. This destructive phenomenon is still at its beginnings and it will grow and increase if the reasons and causes behind it are not eliminated."

MOROCCO: "Each Arab And Muslim Is A Target For Accusation"

A signed commentary in opposition, left-of-center Bayane Al Youm asked (4/25), "Why are Arabs and Muslims accused wherever they are?... The supposed aggressivity of Arabs and Muslims has been hyped the West.... Extremism, especially religious extremism, is responsible for spoiling the image of Arabs and Islam."

"The Sickness Of The Western Media"

Commentary by editor-in-chief Nadir Yata in Al Bayane stated (4/25), "After the Oklahoma attack...without waiting for the end of investigations, the Western media, following the American media...announced that Islam, Arabs, Palestinians and fundamentalists were behind the attack. A poor Palestinian living in the United States for more than 10 years was arrested in London. Nobody bothered to verify this improbable fact. We denounce the sickness of the Western media which even forced Hamas and Jihad to denounce the attack and to deny their involvement in it.... The honor, dignity, humanity...of Arab-Islamic civilization was called into question.... Against this unjust curse, we must react.... We can give them lessons on decency, respect for the truth, and humanity."

SAUDI ARABIA: "When Will West Apologize For Its Insults To Arabs?"

Conservative Al-Madina (4/25) commented, "The West on several occasions has apologized for less harmful mistakes to Jews or Israelis.... The Western apology to Arabs and Muslims is a moral, political and practical necessity. To give up demanding an apology will encourage many others to violate Arab honor and dignity. Let the West apologize now, and let us stand fast to this demand."

SOUTH ASIA

INDIA: "American Psychos"

An editorial in the left-of-center Telegraph (4/23) stated, "The admission of 'homegrown' suspects by the U.S. attorney general...should put to rest the Islamic car bomb theory.... The Oklahoma bomb seems to point at a new source of terrormongering.... This variety is more dangerous than political terrorism.... The ease with which the powerful explosive was manufactured...cannot but get linked with the turn to right the United States seems to have taken."

"This May Boost Clinton's Political Capital"

The independent Hindu opined (4/26), "America seems to be paying a gruesome price for the poison injected during the campaign (for the Congressional elections last November).... America has just discovered another fringe society, at the other end of the bizarre spectrum.... The American president had a word of praise for the law and order authorities...and went on to launch his own campaign against the gun culture and called upon Americans to search their hearts and be more restrained and disciplined in their speech and behavior.... Clinton may yet have the last laugh when the time for balloting comes."

NEPAL: "Universal Problem"

Top-circulation, semiofficial Gorkhapatra held (4/25), "If it is proved that the heinous crime was perpetrated by some religious or communal fundamentalists, the world community should be prepared to take stringent measures to punish them.... Mere condemnation or reproach is not enough.... The killing such as in Oklahoma is not a problem of one single country, it is a universal problem."

SRI LANKA: "Specter Of Terror"

The independent English-language Island held (4/26), "It is the Oklahoma bomb...that will set the world thinking on what to do or rather how to live with this extraordinary feature of modern living--terror. Bomb-throwing in the mythology of the West has always been the working of foreigners. And it was not surprising that American suspicions about the perpetrators of the awful Oklahoma bomb fell on terrorists of Middle Eastern origin. But the discovery that this had now become a purebred American activity is even more shocking. The true motive for this dreadful act has still not been established but the feeling that this stems from the heart of a distinctly American problem is unmistakable."

AFRICA

BENIN: "Constitutional Right To Bear Arms"

Cotonou's leading independent Le Matin (4/25) published this editorial by staff writer Fernand Azonnanon: "Right up until the eve of the revelations [about the identities] of those presumed responsible for the attack in Oklahoma, Americans had always attributed terrorist acts committed on their territory to foreigners.... The reality today is something completely different.... And whose fault is it? Most likely the fault lies in the constitution of the United States itself, authorizing as it does every Tom, Dick, and Harry to run around with firearms."

NIGERIA: "Don't Take Peace For Granted"

Ibadan-based, independent Nigerian Tribune (4/26) judged, "All over the world, bombing...has come to be an attention-seeker and a weapon through which dialogue is sought or demands forcibly granted. The Oklahoma blast is condemnable in all its ramifications. Innocent people should not be made victims of other people's interests, especially where the option of dialogue exists. A few people have toyed with bombing too in Nigeria; several others have threatened to bomb.... As the U.S. example shows, no nation should take peace for granted; all nations should, rather, work to ensure continued peace and safety."

LATIN AMERICA AND CARIBBEAN**ARGENTINA: "Beginning Of Civil War?"**

Oscar Raul Cardoso wrote in independent, leading Clarín (4/22), "The attack in Oklahoma, which appears to have been committed by a North American sect,...feeds the suspicion that a new kind of civil war has taken hold of the country. Hundreds of these extreme right groups have withdrawn to isolated communities, promoting violent forms of racism and xenophobia and refusing to accept any form of coexistence."

BOLIVIA: "Number One Superpower Fights Terrorism"

Conservative El Diario (4/23) held, "The efficiency of the [U.S.] investigation is at stake in front of global public opinion.... The Americans will use the most efficient methods known and available to humanity to combat [terrorism].... The United States is the only country with the means to show the world that our present civilization is capable of fighting and eliminating these crimes.... President Clinton is willing to apply the full force of the law to catch these murderers. The actions displayed by the FBI, which is efficiently covering all leads, announce a near success and allow us to see that American power will also be used in a useful cause for humanity."

BRAZIL: "The Militias Of Hate"

Center-right O Estado de São Paulo (4/26) held, "The Oklahoma City attack brought to light, and not for the first time, the risks that society runs by permitting the almost indiscriminate acquisition and possession of arms--in spite of what the Democratic administration did to restrict this trade--and the meeting of individuals in paramilitary groups. This, in counter-point to individual rights and freedom, created a dangerous balance for democracy."

COLOMBIA: "Terrorism Without Borders"

Vicente Torrijos, Jr. remarked in leading, Liberal Party-oriented El Tiempo (4/24), "Each time, terrorism challenges human security with greater intensity. Today there is more ideological cooperation to battle against it, but the threats are more sophisticated. We are seeing a historical break-up where on one side there was the Cold War...measured in terms of equilibrium with a hegemonic stability meted out in nuclear arms. On the other side today is a turbulent and chaotic world characterized by a zealous search for cultural identity and symbolic violence that...permits the nationalists to shout to the world, 'Here we are, we are this!' and the religious fundamentalists to shout, 'cruel world, the end has arrived!'"

"Oklahoma: The End Of Innocence"

Alene B. Tickner of the University of the Andes commented in Liberal Party-oriented El Espectador (4/24), "Without a doubt, the incident in Oklahoma puts an end to the idea that the United States is harmonious, untouched, and distinct from other nations, obligating it to reflect about the inconsistencies that it has been telling itself about its own cultural reality and political system."

COSTA RICA: "The Globalization Of Terror"

Conservative La Nacion (4/21) opined, "Terrorism has trespassed all frontiers. Not even the punitive reactive capability of the United States in the domestic or international sphere, nor the internal order of Japan, has dissuaded or lessened its perversity.... In the end, the confrontation of the culture of death with the culture of life...is the field on which the principal battle of humanity will be (fought) in these final years of the 20th Century--in international relations or in the internal affairs of nations."

EL SALVADOR: "Use All The Power Of The Law Against Terrorists"

Conservative, second-leading La Prensa Grafica held (4/21), "The big world conflict is no longer between socialism and capitalism. The ferocious ideological militancy has given way to pragmatism and efficiency. However, the temptation of using extreme violence for political means has not disappeared. And now such temptations have found fertile ground in radical fundamentalism.... Terrorists have to be pursued and found and (we must) use the full power of law against them, because terrorism is always a potential enemy...waiting for a small margin in which to proliferate."

GUATEMALA: "Duly Punish Those Responsible"

Leading circulation La Prensa Libre told its readers (4/22), "The Oklahoma attack should not be forgotten and the U.S. justice system should duly punish those responsible. For its part, the American political class, principally the Democrats, should take care now more than ever that they don't permit the idealization of the 'Everados,' that class of men and women whose vision of the world would lead us inexorably to destruction."

HAITI: "Attack In Oklahoma"

Independent Le Nouvelliste (4/20) headlined "Attack in Oklahoma: A Sinister Threat For Games in Atlanta. Security Drills For Upcoming Olympic Games In Atlanta In 1996 Are Simulations But Security Officers Who Are Participating In Drills Need Only Watch Oklahoma Attack To Imagine What Reality Could Be."

JAMAICA: "No Haven Of Safety"

The moderate Gleaner (4/26) opined, "The slaughter of innocents in Oklahoma angers the world mostly because there is a sense of helplessness against criminals whose motives are obscure but who have easy access to the latest tools of communication for their dark deeds. Add to this the realization that terrorist successes can encourage such unsavory characters as Iraq's Saddam Hussein and Libya's Muammar Qadhafi to resume their...activities.... The amoral stances of the Michigan Militia, Germany's neo-Nazis and Greece's anarchists...guarantee that for some time to come peace-loving citizens worldwide will feel less secure than a year or so ago."

MEXICO: "Condemning Those Who Promote Hatred"

Nationalist Unomasuno (4/25) editorialized, "The abuse of freedom of expression is one of the risks of democracy.... This is not a phenomenon exclusive to the United States. Some Latin American nations have witnessed what could be called a journalistic lynching by which freedom of expression is used to harass to the point of hatred of certain political figures.... President Clinton is not trying to limit democracy or to reduce constitutional freedoms. He wants to respond to those who promote 'paranoia, division and hatred day after day' with an irresponsible attitude."

NICARAGUA: "We Condemn What Happened In Oklahoma"

Sensationalist, independent Sandinista El Nuevo Diario, with Managua's leading circulation, opined (4/22), "The Americans are now suffering for themselves actions that their leaders have executed in other parts of the world, not with car bombs but with super bombs, destroying entire cities in various parts of the world."

PANAMA: "Constant Discrediting Of Centralized Power"

Independent La Prensa (4/23) ran this front-page editorial in its "Hoy por Hoy" column: "Politicians tend to create...a favorable climate for certain excesses.... No one...can blame the Republicans for the Oklahoma tragedy.... But the anti-liberal agitation and the constant discrediting of centralized power created a political climate that made possible...horrors like the bombing of the federal building in Oklahoma."

PERU: "The Danger Of Hypocrisy In Human Rights"

TV Channel 2, seen by almost half the national television audience, carried this comment (4/20): "Nobody could say that we are happy, or welcome the fact that Americans now know the horror and the cruelty of terrorism. But what we could say...is that we hope that the United States receives the same treatment that we have invariably received from the institutions and organizations of the United States.... We hope that the defenders of human rights--America Watch, Amnesty International and other groups worried about human rights in Peru--all those who protest our government's abuses of the 'poor' terrorists--will now go leave to go defend the authors of this attack.... Maybe now, after the horrible events in Oklahoma, the Americans will have a better understanding of the danger and hypocrisy of their so-called policy of defending human rights."

TRINIDAD AND TOBAGO: "Act Of Barbarism"

The independent Newsday lamented (4/21), "The entire civilized world must protest this act of barbarism."

URUGUAY: "Murderers!"

Top-selling, conservative El Pais (4/20) observed: "The international community must respond, with more energy, to the authors and instigators of these atrocities that lead civilization to the threshold of destruction and transform human beings into phantoms enslaved by fear."

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carefully stated views and especially with his obvious willingness to enter into free and healthy dialogue. The fact that he had survived 10,000 days in jail with no apparent bitterness elicited respect from business leaders who vigorously disputed his political ideas.

In a December 1991 speech, however, Mr. Mandela strongly attacked President F. W. de Klerk. The speech created shock waves and feelings of personal hurt among some businessmen. Many felt he had been too personal in his attack and had gone too far.

It was clear that Mr. Mandela was a political force to be reckoned with. Nevertheless, some of his state-

Clive Menell is a South African businessman.

lowers for misbehaving at rallies. He also traveled abroad, meeting heads of state, addressing legislators in London and Washington. His stature rose steadily.

In May 1994, at the opening of the new, truly representative Parliament and again at his inauguration, Mr. Mandela expressed a desire for reconciliation and a determination to build a strong economy.

His appointments to the Finance Ministry and his choices for Governor of the Reserve Bank and the Chief of the Defense Force demonstrated a will to maintain continuity under the new Government of National Unity — this in spite of the A.N.C.'s overwhelming majority in the April election.

In short, Mr. Mandela seemed clearly to have grasped the critical nexus between business confidence,

was applauded. The process has produced reciprocal benefits. The changed attitudes of both Mr. Mandela and the business community have benefited all South Africans.

His first Finance Minister, Derek Keys, deserves much of the credit. Mr. Keys, himself a successful businessman, persuaded the private sector of the importance of the Government's reconstruction and development program and the A.N.C. of the need for disciplined fiscal and monetary policies.

There are, of course, members of the South African Communist Party in the Cabinet; some A.N.C. members would be considered irresponsible in any board room. There is still

Abroad at Home

ANTHONY LEWIS

THE PRESIDENT HAS SEEN
3/16/95

Is There a Backbone?

*Many/Clinton
common ground
gun laws the fact on
vetoed*

BOSTON
In 12 years as President, Franklin Roosevelt vetoed 635 bills: a rate of one a week. In his two plus years, Bill Clinton has vetoed none.

Those figures tell us a good deal about the two men's view of the office. During F.D.R.'s entire Presidency the Democrats controlled Congress. But with his vigorous conception of executive power, he did not hesitate to assert what he deemed to be the national interest against members of his own party. His veto was overridden only nine times.

From the start President Clinton took a far more emollient stance, pulling back from conflict with Congress. He went so far, especially in failing to stand up for his nominees when they were attacked, that he suffered serious political damage. Congress concluded that this President could be rolled.

This year, with Republicans in control of Congress and radicals in the House pushing ripper bills through one after the other, the time seemed to have arrived for Mr. Clinton to use the veto power. But when the first clear occasion for a veto arose, he whimpered out.

The occasion was a bill that repealed a law giving preferential tax treatment to the sale of radio and television stations to minority-owned businesses. The repeal was made retroactive. But an amendment stuck on by Senator Carol Moseley-Braun, Democrat of Illinois, allowed one sale already made to keep the tax break. The seller was Rupert Murdoch, who thereby pocketed upward of \$30 million. The buyers in-

cluded a black group and The Chicago Tribune.

Mr. Murdoch is the artful dodger of the media world. He somehow persuaded Margaret Thatcher's Conservative Government in Britain that no antitrust problems were raised when he acquired a huge slice of the British press. Then he made his newspapers a clique for Mrs. Thatcher.

President Clinton can hardly expect political support from the con-

Time to stand up and veto.

servative Mr. Murdoch. But he signed into law the bill giving Mr. Murdoch the tax break. Why? Was he afraid that the Murdoch press would savage him even more cruelly if he vetoed it?

Mr. Clinton's explanation was that he had to sign the bill because it also gave self-employed people the right to deduct part of their health-insurance costs on their tax returns. But the explanation amounted to a pathetic statement of political weakness.

If the President had vetoed that legislation, Congress would surely have passed the health-insurance provision without the Murdoch rider. The demand from self-employed farmers and entrepreneurs was irresistible.

And what a wonderful target the bill was for any President ready to

appeal to the country over the head of Congress. It was a case of serving special interests carried to the extreme: serving one billionaire. Franklin Roosevelt would have waged that fight with delight.

In recent days President Clinton has shown signs of new vigor in opposing Congressional Republicans. He made rousing speeches against the so-called Legal Reform Act and in defense of Medicare and abortion rights. He stood fast behind his nomination of Dr. Henry W. Foster Jr. to be Surgeon General. He threatened to veto legislation he criticized.

But if he wants his new resolve to be credible, Mr. Clinton will have to not just threaten but use the veto power. And legislation is moving toward him that will be a tough test of his willingness to do that.

The legislation is the appropriations rescission bill. In both houses timber interests have had tacked onto it a rider allowing clear-cutting of trees in public forests that are "imminently susceptible to fire or insect attack." That sweeping language could cover just about any tree.

And the rider goes much further. It provides that any cutting "shall be deemed to satisfy" environmental statutes — in short, that those protective laws are suspended. Last, and most devastating as a precedent, the bill would restrict the right to challenge timbering plans in court.

It is tough to veto an appropriations bill. But this one is a dramatic case of narrow interests using appropriations as a tricky way to gain their end. Will Bill Clinton have the backbone to say no? □

Bill White
Public Affairs
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In New Hampshire, the Far Right Convenes in a Quiet Town

THE PRESIDENT HAS SEEN
5/16/95

By MICHAEL JANOFSKY

CORNISH, N.H., May 13 — Some brought family members, some their friends, some just the gun racks in the back of their pickup trucks.

From all over New England, they arrived for a rally of the Patriots movement, about 100 true believers, some of them members of the armed groups that call themselves militias, but nearly all united in the belief that the American political process has broken down, that elected officials no longer respond to the people and that citizens need to defend themselves against Federal agents abusing their power.

"The overarching reason we're here is that we know the problems we're facing," said Barry Buswell, a 36-year-old logger from the far northern New Hampshire town of Pittsburg, about 140 miles away. "The only way we can solve them is to stick together. We know a lot more than most Americans."

It seemed an odd and curious event for Cornish, a scenic place populated by millionaires, artists, farmers and factory workers. It is not a town so much as a collection of close-by dots on the map — Cornish Center, Cornish Mills, South Cornish — midway up the Connecticut River on the state's western edge.

Just above Cornish Mills, the longest covered wooden bridge in the nation, built in 1866, connects New Hampshire with Windsor, Vt., and folks along the east bank love to brag that J. D. Salinger, the author of "Catcher in the Rye," lives nearby. They all know where, of course; they just will not tell outsiders.

Privacy, like gun ownership, is a cherished notion in New Hampshire. Its motto is "Live Free or Die," and more than a few attending the rally talked about how G. Gordon Liddy, the right-wing radio talk-show host, was right when he recommended shooting Federal agents if they tried to break down your door.

"I don't preach violence, but if they kick my doors down, I'll shoot the bastards in the head," said Leroy Crenshaw, a physical education teacher from Springfield, Mass., a guest speaker and the only black man who attended today's rally in the quaint old Cornish Town Hall. The thrust of his speech was that the Federal Government was dividing people by race to conquer them.

Although the rally had been scheduled and well publicized for months, the organizer, N. Scott Stevens, head of White Mountain Militia Information Services, said he never expected more than a few dozen people. But once the April 19 bombing of the Federal Building in Oklahoma City brought new attention to the far right, interest swelled. Mr. Stevens's event was one of the first of its kind in the nation to take place since the bombing, and he said he could scarcely get off the phone this week because of all the inquiries.

Organizations that monitor the activities of right-wing groups say the bombing is the latest in a series of events to draw new members to such groups. Others were the 1992 attempt to arrest Randall C. Weaver, a white supremacist, in Ruby Ridge, Idaho, in which Mr. Weaver's wife and son and a Federal marshal were killed, and the 1993 assault by Federal agents on the Branch Davidian compound in Waco, Tex.

Chip Berlet, who tracks right-wing groups for Political Research Associates, a watchdog organization in Cambridge, Mass., said membership in groups that call themselves mili-

tias had not grown as quickly in New England as it had in other parts of the nation. He said he knew of one group in Maine and two in New Hampshire — Mr. Stevens's and one called the Constitution Defense Militia, run by Ed Brown, an insect exterminator from Plainfield, N.H.

Mr. Berlet described the Patriot movement as a diffuse amalgam of right-wing groups linked by anti-Government sentiments that include opposition to taxes and gun control.

Mr. Stevens said he did not know the number of people in his group; Mr. Brown said the same. But Philip (Joe) Osgood, the Chief of the Cornish Police Department for the last 10 years, who kept an eye on the proceedings from a cruiser parked across the street, said he believed that Mr. Stevens's group had only two other members and that Mr. Brown operated alone.

"But a lot of people strongly agree with what they are saying," Chief Osgood said.

Mr. Buswell said that he was a member of a group called the Ghost Militia and that one of his reasons for attending the rally was to learn how to expand membership. He also

said he disagreed with the notion that such groups are loose-knit.

"There are more of them than you think," he said. "And they're not loose. They're very tight."

Mr. Stevens, who was master of ceremonies for the rally, welcomed the crowd, mostly men, and introduced the speakers. They included Sam Blumenfeld, a proponent of home schooling from Boston; State Representative Donald Gorman, a Libertarian, and Bruce R. Chesley, the New England field representative for Jews for the Preservation of Firearms Ownership, an organization based in Milwaukee.

Speaking to reporters before his presentation, Mr. Chesley said that his organization was needed primarily because some Jewish members of Congress who favor tighter gun control measures were feeding anti-Semitism in the United States, so Jewish citizens needed to protect themselves. He cited Senator Dianne Feinstein of California, former Senator Howard M. Metzenbaum of Ohio and Representative Charles E. Schumer of Brooklyn, all Democrats.

Among the material the group offered for sale was a poster showing Hitler in a Sieg Heil salute with the words, "All in favor of gun control, raise your right hand."

Ever gracious and eager to answer questions, Mr. Stevens, 37, insisted that his group embraced no racist philosophies. Rather, he said, it served merely as an information clearinghouse for groups opposed to regulations that restrict rights defined by the Constitution.

"We view with great disdain anybody that talks about hate, violence or the overthrow of the Government," he said.

He apologized for a flier prepared by a California group that was among the materials he was selling, for 50 cents an ounce. The flier said that only white people were entitled to the full rights of citizenship.

The rally attracted a few local residents who said they had stopped by out of curiosity. Bo Rock, 67, a farmer who lives nearby, said, "I just came to see the wackos." He laughed and went inside.

But Annabelle Cone, a French teacher at Dartmouth College, was not amused. A former Brooklyn resident, she said she moved here in 1986 after being victimized by three crimes in two weeks. All the talk about guns and the need for self defense against out-of-control Federal agents frightened her.

"Irony, isn't it?" she said. "I thought I was moving to a relatively safe, civil society."

THE NEW YORK TIMES, MONDAY, MAY 15, 1995

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THE PRESIDENT HAS SEEN
5/16/95

Republican Budget Proposals Put Cost-Cutting Initiatives at Risk

House Would Kill New Agency Comparing Medical Treatments

By David Brown
Washington Post Staff Writer

It doesn't take long to go from being a solution to waste to simply waste.

That, at least, is the congressional budget committees' view of the Agency for Health Care Policy and Research. The \$162 million agency is the government home for "medical effectiveness research."

When it was created by Congress in 1989, the AHCPR was viewed as an essential tool in the effort to control medical costs without damaging medical care. Last week, the Senate Budget Committee proposed cutting its budget by 75 percent, and the House Budget Committee said it should be eliminated altogether.

AHCPR was launched with the great hope—much of it enunciated by politicians—that it would help the country cut health care costs painlessly by comparing competing treatment strategies to see which works best, and at the least cost.

Over the last five years, the agency has sponsored 20 Patient Outcomes Research Teams (PORTs), each headquartered at a different hospital or university, which studied such topics as back pain, schizophrenia, prostate enlargement, knee joint replacement, cataracts, breast cancer and heart attack.

The teams reviewed the published medical literature on the topic, delineated the variations in treatment, attempted to uncover links between specific treatments and patient outcome (often using large data banks kept by Medicare or private insurance companies), and occasionally devised new tools. For example, the prostate PORT created a video to educate patients about what to expect with certain treatments—including no treatment—and formally incorporated the tool into medical decision-making.

Recently, AHCPR has begun funding randomized controlled trials, which are generally the best way to compare one treatment with another. The topics are ones unlikely to appeal to the National Institutes of Health, where new therapies, not old ones (or low-tech ones), are the

preferred subjects of clinical research.

AHCPR trials, for instance, are comparing chiropractic treatment to physical therapy in low back pain; testing a mathematical equation that identifies which patients are most likely to benefit from "clot-busting" drugs for heart attacks; and comparing homemade vs. commercial rehydration fluids for children with diarrhea.

The agency also has sponsored 15 "clinical practice guidelines," which, based on the best medical evidence, suggest how to treat such common (and unexotic) problems as cancer pain, urinary incontinence and chronic ear infections.

In a recent example of that program's effects, researchers at Intermountain Health Care System in Utah reported they had cut the incidence of bedsores in high-risk (generally paralyzed) patients from 33 percent to 9 percent at LDS Hospital in Salt Lake City, after implementing a modified version of AHCPR's guideline on pressure ulcers. Incidence of ulcers—which cost an average of \$4,200 to treat—also fell among lower-risk patients, and the hospital estimated the annual savings will be at least \$750,000.

"To defund a relatively modest effort like that at a time when the questions they need to answer are becoming even more critical doesn't make a lot of sense to me," said Jay Crosson, an executive in charge of quality assurance at Permanente Medical Group, the physician organization of the Kaiser Permanente health maintenance organization (HMO). "There's a lot more work that needs to be done than even AHCPR can fund."

In explaining its recommendation of a 75 percent budget cut, the Senate Budget Committee said AHCPR "was to be the primary administrator of comprehensive health reform."

This, however, is not true. Although data-gathering by AHCPR-funded researchers presumably would have helped assess the equity of a national health care program, the agency had no official role in the defunct Clinton administration plan.

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Wilson Contests Regulations on Securities Firms

California Gov. Pete Wilson wants relief from regulations that he says could hamper his ability to raise money for his upcoming campaign for the Republican presidential nomination.

The regulations, implemented last year, are designed to eliminate favoritism in the selection of bond houses to handle state business by barring securities firms whose employees contribute to state or local candidates from doing certain bond business for two years.

Wilson's campaign says there are securities industry executives who want to contribute to his campaign who feel they cannot do so because of the regulation; he wants the rule waived.

Wilson argues he is put at a disadvantage because the regulations do not affect contributions to senators, House members or former governors.

"We want a level playing field," campaign chairman Craig Fuller said.

Wilson has filed a request for relief with the Municipal Securities Rulemaking Board (MSRB).

Christopher A. Taylor, a spokesman for the MSRB, said the issues raised in Wilson's letter were dealt with when the board developed the regulations but added that the



BY FRANK JOHNSTON—THE WASHINGTON POST

California's Pete Wilson says regulations governing campaign donations by employees of securities firms put him at a disadvantage as a governor.

board would thoroughly review Wilson's case in any event.

However, Benjamin Ginsberg, Wilson's lawyer, said the board only considered a situation of a state official running for the House or Senate. "They have not dealt with the presidential context," Ginsberg said.

Ginsberg said the newly created District financial control board adds a new wrinkle that the board should consider. Since the president appoints the members of the board, he said, the president has an indirect role in the bond business of the District.

He argued that all presidential

candidates might be considered as falling under the rule unless it is changed.

Ellen Miller, of the Center for Responsive Politics, arguing that the regulations were an attempt to eliminate conflicts of interest, opposes Wilson's request, saying it would erode the effort to keep political contributions separate from governmental decision-making.

She also said it is important to keep the rule in force in the event that Wilson loses the presidential race and remains as governor.

"Then they [securities dealers] helped him when he really needed them," she said.

Ginsberg said Wilson has no direct involvement in California's bond business.

Promoting Powell

■ Stephen Ambrose, the historian who won fame as the biographer of Dwight D. Eisenhower and author of "D-Day, June 6, 1944," has retired from his professorship at the University of New Orleans to devote himself to the promotion of Colin L. Powell as the next president of the United States.

"Colin Powell is the best man in America and should be president," Ambrose told the New Orleans Times-Picayune. "This man is extraordinary. Everything I would say about Dwight Eisenhower, I would say about Powell," the former chairman of the Joint Chiefs of Staff.

Powell, who is writing his autobiography, has indicated an interest in running for the presidency but has avoided making any kind of commitment to run.

If he were to run, he is considered most likely to enter the race as a Republican or as an independent, although his partisan leanings remain unknown.

Ambrose has been writing op-ed pieces and using radio and television appearances to promote a Powell candidacy. He said he "had never been in this position before," noting, "What I do for the next year has everything to do with what someone else decides."

— Dan Balz and Thomas B. Edsall

Bush Defends Federal Agents

Former president George Bush yesterday condemned the "crazy people" who denigrate federal law enforcement agents, further widening his break with the National Rifle Association and other conservatives in the wake of the Oklahoma City bombing.

In a commencement address at the College of William and Mary in Williamsburg, Va., Bush alluded to his decision to quit the NRA this month in protest of its harsh rhetoric against the Bureau of Alcohol, Tobacco and Firearms.

"I miss dealing with the law enforcement people who lay their lives on the line for us every day," Bush said, "and I think we all ought to speak up against the excesses of these crazy people who put them in a bad light and refer to them as 'Nazis' and refer to them as 'jack-booted thugs.'"

The message resonated with his audience, which interrupted his speech at that point with enthusiastic applause. A banner proclaiming "Way to Go, Bush" hung from the mezzanine, and college President Timothy J. Sullivan introduced Bush as a man "willing to call extremists what they are" and "willing to stand up for federal agents who lost their lives in Oklahoma City."

THE PRESIDENT HAS SEEN
5/16/95

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A Manifesto for the Democratic Party
by John S. Jackson

Speaker of the House, Newt Gingrich, and his Republican legions are wrong about many things; however, they are right about one important subject relevant to the future of the Democratic Party. Gingrich and company correctly recognize that a political party has to stand for something and must advocate a positive plan and a program in order to appeal successfully to the American people. What's more, they recognize that making a coherent national appeal has real payoffs, real benefits for state and local parties and candidates running under the party's banner. Thus, all politics is no longer local in the United States and indeed the fate of the national party and the fate of the constituent state and local parties are inextricably intertwined. State and local parties can no longer stand aside from the national party and its federal candidates and expect to be insulated by our generally decentralized party system. At all party organizational levels we are now all in this together with an interrelated party image and electoral interests which require that we all work together. The November 1994 election results in Illinois and in the nation are evidence of the accuracy of these observations. The Republicans are making common cause, sharing resources, recruiting attractive candidates, and running on unified themes from top to bottom. The Democrats, whether in Illinois, other states or nationally must find ways to lay aside some of the internal internecine strife and factional competition and work together in a more focused and more unified manner if they are to regain competitiveness.

The Democratic Party in Illinois, and nationwide, needs a clear-eyed assessment of what went wrong in the 1994 mid-term elections, and what has been going wrong for the Democrats for several years, and they need to develop a plan to address their problems and to chart a course for the future. It is toward those common, overarching objectives that this position paper is addressed.

A Philosophy and a Future

The Democratic Party first and foremost needs to stand for a philosophy, or at least a coherent set of principles, for an overarching concept which unites it. The party needs a public philosophy that makes sense in terms of where it places itself, what its reason for existence is in the late 20th Century and where it wants to lead the American people in the first decade of the 21st Century. Just as importantly, the party needs to articulate what its philosophy is, what its reason for existence is, and it must articulate this philosophical position in a clear and compelling manner. In this era of mass media driven campaigns, an era which puts a premium on issues and on candidates who can articulate those issues, the Democrats can no longer afford the luxury of an incoherent message. Democrats must articulate the proposition that they stand for something positive, something more than just a different set of political leaders who want to hold office; otherwise they will be reduced to reacting to and

opposing Republican initiatives. Being opposed and being against initiatives is the formula which left the national Congressional Republicans in their minority status for 40 years. It is the formula that the Democrats seem ready to adopt since the November 1994 elections. The Republicans "Contract with America" was full of bad public policy and considerable hypocrisy, but it was a brilliant piece of campaign strategy. It did contain a reasonably coherent philosophical rationale for governing. From the Contract has flowed a set of concrete policy proposals which has united the Republicans and which has dominated the policy agenda in the first days of the 104th Congress. This is a level of party unity which the Democrats with their long history of intraparty warfare can only envy.

A Bedrock in Community

The philosophical and policy-oriented conceptual base which should unite the Democratic Party can best be summarized by the phrase, "Investing in the Community". This emphasis on community, on the common good, on the public interest is directed toward underscoring the axiom that what unites us as a people must be greater than that which divides us in warring ethnic, racial, class, geographical, gender-based, or interest group driven factions. This emphasis on the community, on the common good is very consonant with the political traditions of this nation in general and with the heritage of the Democratic Party in particular. It is true that the American political culture places a tremendous stress on individualism, and that strain of thought has been mined very successfully by the Republican Party. Nevertheless, an overemphasis on the rugged individualism of the mythic American frontier, or a glorified good old days, leads to the kind of social Darwinism the nation saw practiced in the Reagan era. This strain of thought in its unbridled form leads to greed, egotism, and self-centered behavior where the logical conclusion is a kind of moral anarchy where the powerful and those with the most resources continue to increase their own personal prerogatives and rationalize it in terms of what they contend is for the good of the society as a whole. These are the policies which supported and celebrated the rich getting richer and shifting the tax burden to the middle class in the Reagan era. It is this mentality which leads in the direction of a capital gains tax reduction being advocated by the Republicans and by some Democrats in the current era. Individual responsibility is an important precept, and Democrats should find new ways to support it, but individual responsibility often must be taught in social settings for many people. In addition, individual responsibility is best realized within the framework of some overarching community standards and includes due regard for the community's interests.

The Democratic Party must anchor its principles and policies in the need for building our communities, both our literal communities of concrete and steel and our figurative communities of shared interests unbridled by geographical boundaries. The nation has seen far too much of the "wedge issues" which the Republicans have so cleverly used to divide the American people in order to make short-term political gains. A modern society requires a vast array of economic, social, and personal

interactions on a close and daily basis. Government has a role to play in helping set the conditions within which those interactions can most successfully and most productively take place. Government can and must provide the balance wheel against the abuses of private power and wealth which can arise in a predominantly market oriented system. Republicans celebrate the unbridled excesses of the market; Democrats must insist on a larger accountability to the common good, the public interest.

Democrats must emphasize that it is in building up our shared communities, whether these be our cities, our states, or the nation as a whole that people ultimately achieve their greatest potential. Contrary to conservative rhetoric, the greatest freedom emanates from living in an orderly society, with an active role provided for the public sector, and it is in such an orderly society that the greatest freedom for the most people can be achieved. It is in a shared context that most human beings excel, and it is in such a shared interaction that an even higher order of freedom can be attained for most people. We all have to give up a bit of theoretically untrammelled personal freedom in order to gain the security and the greater common freedoms provided by social order. It is only in communities that business and industry thrive, people are educated and trained for the jobs of the 21st century, and the communications and financial networks develop to undergird the emerging global economy. It is in community settings that care can be given to the elderly, the infirm and the youngest members of society, and public policies can and must support the families which are performing these roles for the weakest members of society, and take over that support role when the family is absent or pathological. It is in the community that the local police department and the local fire department can provide for the public safety and protect most people from the predators among us. It is in the community that medical research advances and that common diseases can be treated, controlled, and in some cases eradicated. It is in and through our communities that public transportation systems can provide the way to work and to recreation for thousands of daily commuters at a price both they and the environment can sustain for the long term. It is through public policies, mostly supported by the Democrats, that much progress has already been made on cleaning up an environment severely contaminated and polluted by the industries owned by the robber barons of yesteryear and their corporate descendants of today. It is only the community which can provide the infrastructure of streets, state highways, and the interstate highway system which can move goods and people rapidly from place to place in a manner which enhances and sustains the economy. It is only in and through our communities that fresh water and sanitary sewers and storm sewers are provided to the great majority of people at a price which increases the quality of life for us all. It is in and through our public school systems that most of our young people must be educated for life and work in the 21st Century. It is in our great public universities that much basic research which expands our knowledge base and makes possible the advances of tomorrow takes place. It is our great public universities which educate an increasing proportion of students at a price which they can afford and to which students from other countries are attracted in increasing numbers. It is only through communities that public symphonies, public

museums, public theaters, public television and public radio transmit to the American people the arts on which our culture rests.

The great Republican myth-making machine in the Reagan era convinced many Americans that government was "the enemy", that "government is the problem" and that only Democrats were responsible for the operation of the government. The Gingrich era has refurbished this same myth and used it to great advantage in the 1994 mid-term elections. Democrats must counter that myth by pointing out clearly the many benefits which government has brought to modern society. The Democratic Party must stop being defensive about the proper role government has played in the development of America. A more accurate portrayal and understanding of American history would help the Democrats to overcome the myths.

A (Very) Brief American History

All of this is not "collectivism" and definitely not "socialism" in the ways the Republican Party's myth-making machine has sold those pejorative labels to the American people. What we are talking about here are the fundamental requirements of civilization; this is about the fundamental requirements of people living together in a complicated, interconnected, interdependent mass society late in the 20th century. Thinking anew about what it takes to build strong communities is what we should be about as a society as a nation and as a state and as a party as we reach toward the first part of the 21st Century.

Living by myths and promulgating those myths for short-term political gain is not an adequate or honest plan for the future. The Republican Party constantly tries to take us back on a nostalgia trip to a simple agrarian or frontier society that never even existed in the past and certainly does not provide useful models for the future. The United States was built by government actions, policies, and programs at least as much as by rugged individualism and cowboy capitalism. The whole U. S. Constitution which we rightly venerate was written and implemented partially to build a national community and to support a national economic system. The Constitution provides for a currency system, a taxing system, an interstate commerce system, a Post Office and Post Road system, a patent system, and indirectly a banking system, all of which were crucial for the development and growth of a national economy. The Constitution provided for the raising and support for an Army and a Navy to protect the borders and incidentally to protect the settlers who settled the frontier. The national government protected the land and water rights and defined the settlement rights of those who went west and settled the frontier. The government built roads and canals, and encouraged and supported the railroads as they pushed west. The U. S. Army

and the U. S. Marshals helped keep order and protected the peaceful from those who couldn't live in an ordered society. The American frontier was largely settled by people acting in concert or in communities as much as by the lonely cowboy and the isolated farmer. It took the first and greatest Republican President, Abraham Lincoln, and the United States acting in concert to save the union in its time of greatest peril and to free the slaves from their bondage. Beyond the Civil War the other great crisis of the Republic was the Great Depression of the 1930's. It was Franklin Roosevelt and the Democratic Party which saved the free market system and ameliorated the excesses of capitalism which had led to the Great Depression. It was the Democrats, with mostly opposition from the Republicans that devised the Social Security System on which millions of our elderly depend today. In the much maligned 1960's it was the Democratic Presidents and Congressional Democrats, with occasional help from Republican leaders such as Everett Dirksen who passed the Civil Rights laws which finally freed minorities from the last major vestiges of the era of slavery and Reconstruction. Abraham Lincoln would be ashamed if he could see what his party has done to mine racial tensions and conflict in this country in the name of short term political expediency, and Democrats ought to start explaining the many positive benefits of the policies and programs they have championed in the past. These are accomplishments made possible by government and by people working together for the common good and they are a fundamental part of the American story that one rarely hears from the Republican myth makers.

Americans need a more accurate picture of foreign and military policy and how both of those impact on and are impacted by domestic policy. Democrats have left this explanation to the Republican myth-makers for far too long. It took the United States, the national government, acting in concert with our allies to build the military forces necessary to pursue World Wars I and II and to help keep the world free from tyranny and totalitarianism. It was a bipartisan effort, under the leadership of Franklin Roosevelt, which led to the massive military response to the challenges from Germany and Japan during World War II. Later it was Democratic President, Harry Truman, who devised the collective security pacts with Western Europe and other nations which was the bedrock of our containment policy for over forty years. It was Harry Truman and George Marshall who devised the economic recovery plan for Western Europe which led to their economic rebirth and which directly led to the extraordinary opportunities those nations have in the European Community today. Those policies were consistently supported by the kind of bipartisan majorities in Congress that are very elusive in today's hyper-partisan atmosphere. It was Democratic and Republican presidents alike who supported NATO and all the other collective security arrangements throughout the 1950's, 1960's, and 1970's that contained communism successfully through all of those decades. It was that long twilight struggle under containment, and the foresight of some Russian leaders like Gorbachev, and the long patience of the Russian people which finally resulted in changes in that country and in Eastern Europe that led to the breakup of the Soviet empire and the dramatic tearing down of walls between east and west. To say that Ronald Reagan caused the collapse of the Soviet Union, as the Republican myth-making machine now claims, is

to do a grave disservice to the record, to the truth, and to the actions of honorable public servants in both parties for over forty years, and to the longsuffering taxpayers of the United States who paid the bills for much of this long struggle. Members of Congress and Presidents from both parties supported the policies which steadfastly resisted totalitarianism for decades. In the process, government, and the size of the national budget and the military and the deficit all grew. All of these actions were supported by a bi-partisan foreign and defense policy that made the ultimate end of the Cold War feasible. In this unsettled post-Cold War period, the United States must once again develop and articulate a foreign and defense policy concept which summarizes our international commitments and our role in an international community where American force will have to be used judiciously and on occasions where America's economic strength and technological advantages help undergird the global community. Ultimately, the health and strength of our society at home is fundamentally relevant to our role in the world. Thus, domestic and international politics are inseparable. The Republican Party's current efforts to blame most of America's problems on illegal immigrants and to advocate deep cuts in American foreign aid is another example of their willingness to take short term gain rather than advocating the long term good. Our people can build a secure future, both domestically and internationally, but it must rest on a healthy, well educated work force and it must rest on honest, enlightened policies, and social justice simultaneously attained both at home and abroad.

The Republican myth-makers would have the American people believe that the private market and individual effort alone will take care of all of society's ills. That is patent and demonstrable nonsense, and the Democrats must develop the capacity to say so in a convincing manner with a cogent message. As anyone who understands American history can attest, we developed many of the social ills of the 20th Century because of some of the excesses of the private enterprise system. Today the Republicans seem to want to "privatize" virtually every service. Everything from prisons to schools are alleged to be candidates for the greater efficiency of the market place. The real life experiences of experiments like Chris Whittle's "Edison Academy" foray into public education by private enterprise suggest that the problems are much more complicated than the Republicans would have the people believe. There are no panaceas; if there were, they would have been tried already. When the Republicans try to sell simple solutions to complicated social problems, the Democrats must have the courage to say so convincingly. We must have a healthy, vibrant public sector to counterbalance the excesses of the private sector; and we must have a healthy, vibrant public sector to free the private sector to do the market oriented functions it does best. It is in the overlap between and the mixture of these two spheres and in the grey areas that the difficult and challenging public policy issues of the 21st Century must reside. The great communications companies, like Ameritech for example, must have a certain and judicious amount of government regulation in order to prevent chaos from developing in the industry. Many of the most profitable national drug companies headquartered in Illinois have benefitted substantially from the basic research often done in government supported labs that ultimately work to the benefit of

the society as a whole. Democrats must look for ways to develop and strengthen public/private partnerships which benefit the whole community if we are going to continue to be competitive in a global economy where such partnerships are looked on as the normal course of business in many nations with which we compete. In order to get ready for the 21st Century we must give up 18th Century myths. (1)

Implications for Illinois

For the health of the state Illinois needs two competitive parties, and the Democrats are not now competitive. The Democrats must do a better of developing and explaining their message. The thesis of this paper is that Democrats ought to stand for a fairly coherent set of principles and that those principles are firmly grounded in the common good, in the necessities of community and in the American experience. This does not mean that Democrats ought to accept the label of "Tax and Spend" that the Republican myth-makers purvey. Instead, Democrats should be "pay an honest price pragmatists" willing to support the programs people need.

We ought not be defenders of every public program and of bloated bureaucracies. Democrats have a greater stake than Republicans will accept in having public programs that work and in holding public servants accountable. Some programs don't work well, and some government employees don't work. Democrats should defend neither. We, even more than the Republicans, should demand an honest day's work for every tax dollar spent. We, even more than the Republicans, should demand public programs that are efficient and effective. Democrats, even more than the Republicans, should demand accountability because we want public programs to work, and the Republicans frequently seem to want them to fail. Yet, Democrats know that some programs work well; some reach only part of their objectives; and others fail. We should never fear modifying those which are only partially successful and killing those which fail. We must not be the defenders of the status quo when the status quo is indefensible. Nevertheless, we also must resist the Republican myth-making machine which insists that all government programs are flawed or doomed to failure. We must resist the myth that, "all Democrats want to do is throw more money at the problems". Some problems indeed cannot be solved with more money, but some problems cannot be solved without more money. Democrats must distinguish between the two and then have the courage to say so.

In Illinois it is all too often difficult for the average citizen to tell the partisan players and their policies apart. Democrats ought to stand for something in Illinois just as they should in the nation. It should be a core of beliefs about what it takes to build and enhance communities. It should be about advocating the proper role for the public sector. It should be about developing and enhancing the higher order freedom available from living and working cooperatively in community. As the cliché says, we don't need a second Republican Party in Illinois or in the nation as a whole. We do need a Democratic Party that knows what it stands for and why and which articulates

that stance in such a way as to elicit support from the average voter. In Illinois it is often apparent that the two parties stand mostly for a different set of leaders taking and controlling office, or perhaps for a different political clique having access, or a slightly different set of narrow interests being advantaged. The policy differences between the two parties in Illinois are remarkably obscure for the average voter. If the leaders don't stand for something, it is not surprising that the people can't figure out what the party labels really mean and wind up voting on image, personality, and irrational grounds. It is not surprising, then, that the best demagogic and most negative campaigns often seem to be rewarded with victory in Illinois.

In Illinois, as in the nation, the Democratic Party ought to stand for social justice for the weaker members of our society and for the public investment policies which will build our middle class. There are many important programs and policies which will build our human capital, our investment in people. When we invest in education, in better health for all, in safe streets, in recreational opportunities, in culture, we are investing in the nation's future and we are building a stronger Illinois. When we invest in the infrastructure of the cities, the rural areas, Chicago, Downstate, and the Suburbs, we are investing the common good of these communities and building a stronger, more productive future for all. From Chicago to Cairo there are problems to be addressed and policies which need to be changed. Much of this is the province of state government and it is responsibility which the Democrats cannot allow the state to shirk. Specifically, if the public schools need a more equitable statewide funding system, as leaders as diverse as Dawn Clark Netsch and Pate Phillip have both advocated recently, we ought to have a public dialogue about how that can be accomplished, and the Democratic Party should take the lead. If this means a greater reliance on the income tax and a lesser reliance on the property tax, then let's get started on the debate. We cannot run from the political discourse just because it did not work in the last election. The problem with the last election was that the debate was never joined regarding the difficult issues of education, funding for Medicaid, the overreliance on the property tax, the causes of crime. We settled, instead for symbols, for the exchange of simplistic charges, and for the Republicans definition of the public agenda. The Democrats in Illinois can't control the agenda, or even put items on it if they don't know what they stand for and why. The Democrats must be the party which insists on an honest airing of the issues no matter whose interests are involved. If this means that the state's worker compensation laws are driving out local business expansion, as is often alleged in southern Illinois, then Democrats should take the lead in insisting on changing to a more competitive system. If the sales tax on services is necessary to close the budget deficit, Democrats should take the lead on advocating a realistic, honest assessment of where the need is and then paying for it. Unlike the Republicans, Democrats cannot afford to live by myth-making. We need an honest and analytical assessment of the state's problems, creative programs and policies to address the problems of Illinois, and the political courage to take those to the public. The voters of Illinois need to know why it is important to stop the long term reign of one party rule in this state. The Republicans need to be held accountable for their actions in this next government by a loyal opposition party that stands for something larger

than a next generation of Democrats who would like to take office. Democrats should be the party which takes the lead in "investing in communities".

Conclusion

The Democratic Party in Illinois, and nationally, must stress the building of communities, wherever people are found in their various communities. We must show that the greatest good for the greatest number of people is realized when we cooperate, when we work together as a people. A greater degree of freedom exists in orderly, well maintained, well run communities. The alternative is ultimately the law of the jungle. We must not apologize for helping people to realize their best potential. Society's investment in human capital is crucial and ultimately efficient and productive. Society's investment in and maintenance of the infrastructure that makes our communities possible and liveable is crucial and ultimately efficient and productive. Government must not waste the people's money, but we can and we must convince them that investment in their communities, via their tax dollars, is ultimately an effective and productive investment. If we do this, the people will once again give their trust and their public offices to the Democrats. To do otherwise is to court irrelevancy and to become a pale shadow of the Republican Party for the rest of the 20th Century. To do otherwise is to betray the children of the 21st Century.

I. For a much more thorough explanation of the frontier myth and its exploitation by Ronald Reagan and one written by an Illinois authority, see: Garry Wills, *Reagan's America*, New York: Viking Penguin Press Inc. , 1988.

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THE NEW ECONOMICS

THE PRESIDENT HAS SEEN

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Wal-Mart Government



AS THE EXHILARATED REPUBLICAN MAJORITY FILED INTO Congress last January, it had one overriding goal: to shrink the federal government. Some functions would be turned back to state and local governments, some would be abolished altogether, and some would be placed in private hands. Anguished Democrats howled in pain; the sacred cows of the New Deal state were destined for the butcher's block. Much of this Democratic breast-beating, as well as much Republican rectitude, was simply political posturing, of course. Not all the sacred cows will end up as hamburger. Republicans have special interests, just as Democrats do; hardly anybody really wants to get rid of all government waste.

Like most U.S. taxpayers, I'm accustomed to studied rhetorical poses followed by carefully contrived votes, so the current congressional debate doesn't offend me on the grounds of either morality or good taste. But I am deeply worried by what I've heard so far. I'm increasingly convinced that both the triumphant Republicans and the shattered Democrats badly misunderstand the crisis of government that the nation faces as it heads into the 21st century.

Many readers of this column probably expect me

to side with the Democrats, so let me begin by saying that Newt Gingrich and his allies are right: Government has got to go under the knife. We can no longer tolerate either the bureaucratic inefficiencies of the New Deal state or the economic waste that results from the tangled and irrational system of subsidies and regulations that proceed from it. We need to stop warehousing surplus corn in Iowa and "surplus" people in public-housing projects.

But the new Republican majority in the U.S. Congress is wrong to think that we will need less government in the future than we have had in the past. Actually, the opposite is true. We will need even more government in the 21st century than we do today. We need government reform so urgently because the explosive, inevitable growth in government that is rapidly approaching could bankrupt our country.

Let me suggest a way to think about this crisis. The U.S. government is a giant service company. Over the years, as its customers asked it to deliver more and more services—adding Social Security in the 1930s and environmental protection in the 1970s, for example—the expense of government climbed. Now, there's nothing wrong with ex-

Yes, government
has to become
smaller. So that it
can later become
bigger and more
powerful than ever.

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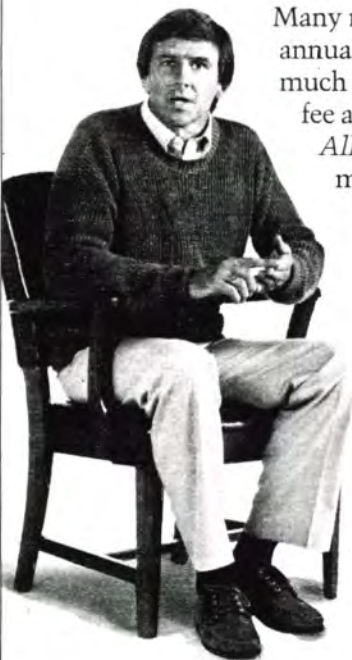
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THE NEW ECONOMICS

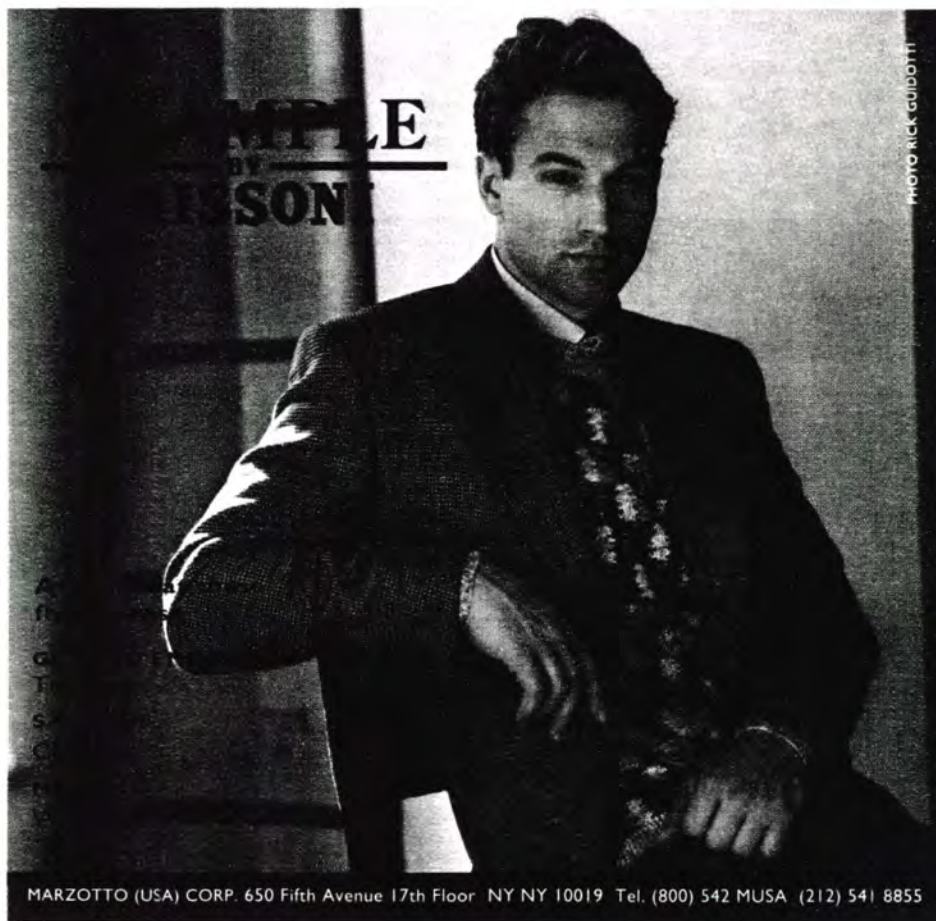
imum level of goods and services that poor people need, if they or their children are to have any chance of participating in our economy. A century ago nobody thought of electricity and central heating as necessities; today, telephones and sophisticated medical care figure into our calculations of how to care for the poor. In 2010 the right of all schoolchildren to have access to computers will be as important as their right to textbooks is today; only government can pay for these new necessities for those unable to afford them.

We might as well face it: The electronic revolution and the third wave aren't going to abolish our dependence on government. Our grandchildren will consume more government than we do. There is nothing new in that; we use more government than our grandparents did. Progress defers death at the cost of higher taxes; it's a good bargain, all things considered.

The Republican task today is not so much to shrink the amount of government we consume as to cut the unit cost of government. This effort to reform our government is part of the broader restructuring of the economy. In a postindustrial society productivity growth in services increasingly determines a country's overall growth in living standards. Government—state, federal, and local—is the largest employer in the country; changing it from a sclerotic bureaucracy to something leaner and meaner—from a tortoise into a velociraptor—won't make it weaker or smaller but will enable it and us to survive in the 21st century.

There is no escaping the irony. In bringing down the unit cost of government, in stripping it to its essential functions, in restoring its legitimacy by bringing it closer to the people, the Republicans in Congress are not, as some of them think, permanently reducing the size of the federal government. Instead, they are preparing the way for the government of the future: bigger and more powerful than anything Americans have ever seen. Whether he knows it or not, Newt Gingrich is the servant of generations of bureaucrats yet to be born.

Walter Mead is the Presidential Fellow at the World Policy Institute at the New School. Research assistance: Adam Feibelman.



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penses going up in a situation like that—in most businesses selling more products or providing a greater volume of service costs more. But in successful businesses, as volume increases, unit costs go down. Overhead—rent, utilities, and such—gets amortized over a larger customer base; managers discover ways to serve 11 customers well with the staff that once served 10; assembly lines steadily run at top speed so that each widget costs less to produce. Companies that grow revenues but that allow their cost per unit produced to climb also eventually become high-cost producers. And they either go out of business, savaged by more efficient competitors, or reorganize themselves.

How has the government done in these terms? In constant 1987 dollars, the federal budget has grown to \$1.121 trillion in 1993 from \$832 billion in 1980. At the same time, the country's population has climbed to 258 million from 227 million. On a unit-cost basis—dollars of spending per capita—the cost of government went up to \$4,345 in 1993 from \$3,665, almost a 20 percent increase after correcting for inflation. To judge from the last election, very few taxpayers feel that the quality and quantity of services the government delivers justify that kind of price increase.

Anybody who believes that we can reduce the unit cost by providing less government in the future is swimming against the tide of history. Survey the reasons we have government at all—to ensure national security, to preserve public order, to defend the political, religious, and property rights of individuals, and to provide "common goods" such as universal education and a healthful environment. Providing each of these services is more complicated and expensive in the 20th century than it was in the 19th, and it will be more expensive still in the 21st.

Two basic forces drive this process: demographics and technology. The American population is getting larger and older, and American society is getting more complex. It all adds up to a demand for more of what government provides.

A larger population, obviously enough, needs more government than a smaller one, just as it needs more homes and more food. But the population won't just be larger. It

will also be older—and old people need more protection and care than young ones. Unless we plan to put the old folks on ice floes, we are somehow going to have to find a way to feed, clothe, protect, and offer medical services to a much larger elderly population. Some of their needs will breed profit-making companies in the private sector. But some of the increased services that this aging population needs will be provided by the government—or by no one at all. And the voting power of this age group guarantees that their needs will be met.

The growing technological complexity of modern life will also create new demands for expensive government services across the board. Just look at education, for example. As recently as 1960 only about 40 percent of Americans over 25 years old had finished four years of high school; in 1993 more than 80 percent did. While the percentage of Americans who had finished high school was doubling, the percentage of Americans finishing college quadrupled. In 1960, American junior colleges, colleges, and universities awarded a total of 477,000 degrees; they are projected to award 2,355,000 in 2003.

Tomorrow's economy will require an even better-trained workforce—one in which workers will have to be taught new skills several times during their working lives. Private institutions will not be able to handle the numbers of students who will need advanced education in the United States, and most students will not be able to afford the tuition charged by private institutions. Our society could, of course, decide that it won't pay the bills for educating these citizens. But a country that won't pay to train its future wage earners faces a dark future in a globally competitive economy.

But no matter how many billions our children and grandchildren spend on education, they are likely to find that the problem of welfare refuses to go away and that the portion of the population needing at least temporary aid is, in fact, growing. As machines take over more low-productivity work, what will today's low-wage workers do? The answer is certain to involve more government money.

At the same time as technological progress makes it harder for some people to compete in the job market, it also increases the min-

THE WHITE HOUSE
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May 5, 1995

MEMORANDUM FOR THE PRESIDENT

FROM:

KITTY HIGGINS *Kitty*

SUBJECT:

Summary of Weekly Cabinet Reports
May 5, 1995 -- May 12, 1995

Department of Treasury

- **IRS Consolidation:** As part of the restructuring effort, the number of regional IRS offices will be decreased from 7 to 4 and district headquarters from 63 to 33. The changes will allow the IRS to concentrate more of its resources on "front line" tax administration activities. All IRS managers and employees in the offices being closed will be assigned to new temporary or permanent assignments by October 1, 1995.
- **Financial Modernization:** The House Banking Committee's markup of financial modernization is scheduled for Tuesday, May 9. Chairman Jim Leach will likely offer a nearly comprehensive and substantially bipartisan mark that will pass with near unanimous support.
- **Tax Legislation:** May 8-9, the House Ways and Means Subcommittee on Oversight holds hearings on the expiring tax provisions, including the R & D tax credit, and the Targeted Jobs Tax Credit.
- **Port of Entry at San Jose:** Customs has submitted a proposed regulation designating the 4 county area surrounding San Jose, California as a port of entry (including Monterey). This proposal -- issued at the request of the city with the support of local politicians, corporations, and associations -- would convert the part-time Customs presence in San Jose to a full-time presence.
- **ATF Tracing Center:** The ATF National Tracing Center successfully traced the firearm involved in the homicide of two Philadelphia police officers. ATF is now in the process of completing the traces of all the firearms recovered during the execution of search warrants related to the suspect in custody in the Oklahoma City bombing.

Department of Commerce

- **Hemispheric Trade and Commerce Forum:** On Sunday, May 15, Secretary Brown and Ambassador Kantor join Governor Romer for the official announcement of the June 29 - July 2 trade conference, the private-public sector gathering following up the Miami Summit. While in Denver, they will also conduct editorial boards with *The Denver Post* and *The Rocky Mountain News*. Secretary Brown also plans to address Denver University's International Business School.
- **Commerce will release following economic data:**

Wholesale Trade for March 1995	May 9
Gross State Product by Industry for 1992	May 10
Advance Retail Sales for April 1995	May 11
Manufacturing and Trade Inventories and Sales for March, 1995	May 12
- **Turtle Strandings in the Gulf of Mexico:** On April 30, The Coast Guard began enforcing more restrictive Turtle Excluder Device (TED) regulations on U.S. shrimp vessels along the Texas and Louisiana coasts in the Gulf of Mexico. This action comes as a result of increased numbers of dead sea turtles washing up on Texas beaches. Shrimp fishing vessels will be allowed to continue fishing in these areas, but only with approved Turtle Excluded Devices (TEDs). Additional restrictive actions such as area closures may be warranted; the National Fishing Institute has filed a notice of intent to sue.
- **Anti Dumping (AD) Suspension Agreement on Uranium from former Soviet Republics:** In connection with pending privatization, the U.S. Enrichment Corporation (USEC) seeks to exempt itself from the AD law with respect to imports of Highly-Enriched Uranium (HEU), of which USEC has \$4 billion worth. Commerce seeks to facilitate a compromise between USEC and the U.S. mining industry that would permit the Russian material to be marketed in the U.S. without unduly disrupting the U.S. market. Intransigence on the part of USEC in accepting a compromise now seems to be tilting the support of the other agencies involved toward IA's proposal.
- **60 Minutes Story Regarding Elimination of Commerce and other Departments:** 60 Minutes contacted Commerce Thursday regarding a story this Sunday featuring House Budget Chairman John Kasich vowing the elimination of Commerce and other federal departments. Commerce provided information regarding the Department's budget and mandate, and senior officials spoke with 60 Minutes' producers. Chief of Staff Panetta was also interviewed.

Department of Transportation

- **Repeal of the National Maximum Speed Limit:** On May 3, the Senate Transportation & Infrastructure Subcommittee and The Committee on Environment & Public Works reported-out the National Highway System bill. Attached to the Bill is an amendment repealing the National Maximum Speed Limit. The repeal would allow states to post speed limits above 65 miles per hour, leading to increased pollution and increased accidents and, as a result, more deaths and injuries. Speed related crashes cost the nation \$24 billion annually, and tax dollars pay for approximately one third of the medical costs of motor vehicle crash victims. The repeal may also pave the way to the repeal other federal safety provisions such as safety belts and motorcycle helmets. Secretary Pena plans to hold a press conference and will publish an Op-Ed in USA Today, opposing these provisions, on Monday, May 8. He will also contact several Senators to express his concerns.
- **Air Traffic Controller Informational Pickets:** On Monday, May 8, members of the National Air Traffic Controllers Association plan to hold informational pickets at airports. They allege that facilities are understaffed and that air traffic control equipment is antiquated and poses safety risks. The controllers maintain that they are raising these issues in support of an air traffic control corporation.
- **Threats by "Militia Groups:** " The Indiana Department of Transportation has received numerous complaints and threats from "militia groups" claiming that markings on the back side of traffic signs are "...designed to guide United Nations soldiers when they invade the United States to impose a 'one world' regime."
- **Denver Airport Hearing:** On May 11, The House Transportation and Infrastructure Subcommittee on Aviation will hold a hearing on planning and development issues related to the new Denver airport. Secretary Pena and Federal Aviation Administrator Hinson will testify.
- **Gambling Aboard Aircraft:** The FAA is requesting comments on its on-going study of the potential consequences of allowing gambling on commercial aircraft during international flights. As required by the Federal Aviation Authorization Act of 1994, the study focuses on safety and competitive issues linked to in-flight gambling.
- **Infant Airplane Seatbelts:** On May 3, the Association of Flight Attendants held a press conference, in which they stated that allowing parents to hold infants in their laps is not safe and should be banned. DOT responded that making people buy extra tickets for their children would raise prices so much that people would switch to alternative forms of transportation, some more dangerous.
- **Voluntary Seat Belt Recall:** The Takata Company, a Japanese manufacturer of seat belts in millions of Japanese-made automobiles, has negotiated a voluntary recall with NHTSA to be announced next week.

Department of Labor

- **Kennedy Forum:** On May 8, Secretary Reich participates in a panel discussion at the Kennedy School of Government in Cambridge, Massachusetts at the "How to Get America Moving Again: Social and Economic Issues of the 60's and 90's." forum commemorating President John F. Kennedy's birthday.
- **Child Care Forums:** While in San Francisco for the California-Berkely commencement ceremonies, Secretary Reich will also participate in the kick-off event for a series of Women's Bureau Child Care Forums held throughout the country between May 1 and July 1.
- **Striker Executive Order:** The period for public comments on the regulations implementing the Executive Order ended on April 28. Comments are currently being reviewed and a final rule is being prepared. OAW has received complaints alleging that 8 companies have permanently replaced lawfully striking employees. OAW has not taken enforcement action during the public comment period, but has made plans for investigations under the Executive Order and has compiled publicly available information about employers named in the complaints.
- **Working Women Count:** On May 2, the First Lady joined the Labor Women's Bureau Director Karen Nussbaum at an event in Atlanta, Georgia. They met with a group of women workers and discussed the needs of working women and the findings of the *Working Women Count!* survey.
- **MSHA-Southmountain Coal Company Prosecutions Complete:** Prosecution of the charges brought following the December 7, 1992 coal mine explosion at Southmountain has been completed. 8 miners died in the explosion. Apple Coal Company, the parent corporation of Southmountain Coal Company, entered a negotiated agreement to pay \$2 million in criminal fines, MSHA civil penalties and restitution for charges against Southmountain. \$800,000 will be used to establish a trust fund to provide education benefits for the dependents and survivors of the eight miners that died. As a result of the agreement, the government will move to dismiss all charges of the indictment against Apple Coal Company handed down in December 1994.
- **Update On Major Labor Disputes:**

On May 1 Baseball reached a 5-year agreement with the 64 major league umpires, ending a four month lockout. The umpires returned on May 3.

Negotiations continue between the Teamsters, representing 1,200 drivers, and Detroit area newspapers. The contract expired on April 30, 1995, its terms have been extended on a day-to-day basis and the parties have the right to cancel the extension by giving 24 hour notice.

On May 1, Caterpillar announced that it would reinstate a policy which denies workers pension credits for time spent on strike. The UAW has asked the NLRB to seek an injunction blocking the company's plan. The UAW and Caterpillar last met in direct negotiations on March 17, 1995.

Talks will resume between the Paperworkers and A.E. Staley on May 9, 1995 in Chicago with active mediation. Some 800 union members were locked out on June 27, 1993.

The Rubber Workers and Bridgestone/Firestone are meeting with FMCS mediators May 3-5 in Chicago. The national dispute resulted in a strike by the URW on July 12, 1994 and the hiring of 2,300 permanent replacements by the company on January 4, 1995.

Department of Education

- **Proposals to Merge Federal Departments:** On May 3, GAO transmitted a draft of its report, "Congressional Proposal to Merge Education, Labor, and EEOC." Education is working to prepare a response by the GAO's May 10 deadline. House Republican freshmen are scheduled to hold a news conference on May 10 to discuss abolishing several federal agencies.
- **New Hampshire School Boards:** Deputy Secretary Kunin addressed the New Hampshire School Boards Association in Concord on May 5.
- **Religious Leaders/Summer Reading Initiative:** On May 8, Secretary Riley meets with representatives of various religious organizations who have signed on as part of the Family Involvement in Learning Partnership, to announce the Department's summer reading initiative.
- **Goals 2000:** 45 states, DC, and Puerto Rico have now received first year Goals 2000 awards. DoEd has received an application from Ohio, and expects applications from the other 4 states: New Hampshire, Virginia, South Dakota, and Wyoming. 3 states have had their comprehensive reform plans approved and are therefore eligible for second year funding: Oregon, Kentucky, and Utah.
- **Title IX Hearing:** Assistant Secretary for Civil Rights Norma Cantu is tentatively scheduled to participate on May 9 in an oversight hearing on Title IX, prohibiting discrimination against women in education, before the House Subcommittee on Postsecondary Education.
- **Gun-Free Schools Guidance:** On April 26, the Department released guidance on implementation of the Gun-Free Schools Act. The Act requires that school districts receiving federal funds expel for one year students who bring firearms to school.

- **Individuals with Disabilities Education Act (IDEA) Hearings:** The House Subcommittee on Early Childhood, Youth and Families will hold a hearing on the IDEA on May 16, with testimony from Governors Thompson and Dean. A hearing is also scheduled May 11 in the Senate Subcommittee on Disability Policy. Witnesses will include teachers, parents, and students. Secretary Riley is scheduled to testify June 6 at a follow-up hearing on IDEA.

Department of Justice

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- **Attorney General Announces Modification In Cuban Migration Policy, May 2, 1995:** Under the new policy, humanitarian parole will continue for the remaining 15,000 migrants at Guantanamo who are admissible into the United States. Cuba will take back those ineligible for admission into the United States as well as those who seek to enter the United States illegally and are deported or excluded. 7,000 refugees from Cuba have been admitted under the current migration policy.
 - **Florida's Challenge To Federal Government's Alleged Failure To Enforce Immigration Laws:** In Chiles v. United States Florida alleged that the U.S. has failed to properly enforce immigration policies by not deporting illegal aliens; that it has failed to provide federal funding under the Aid to Families with Dependent Children and Medicaid benefits for illegal aliens; and that it has allowed illegal immigration to reach such levels as to constitute an invasion of the State in violation of Article IV of the Constitution. Plaintiffs sought a mandatory injunction compelling the U.S. to relieve the State's financial burden. The district court dismissed plaintiffs' claims. It held that the Attorney General's decision not to deport an alien is not subject to judicial review and that plaintiffs' remaining claims were barred by the political question doctrine. Plaintiffs' opening brief on appeal was filed in the Eleventh Circuit on April 5, 1995, and Justice responsive brief is due on May 15, 1995.
 - **Illinois National Voter Registration (NVRA) Act Case:** On May 8, 1995, oral arguments will be held in ACORN v. Edgar, where the U.S. is a co-plaintiff seeking to force Illinois to comply with the NVRA.
 - **Citizens Alliance to Protect Our Wetlands v. Wynn:** This case involves a challenge to the Army Corp of Engineers' issuance of a Clean Water Act permit to construct a horse racetrack in Auburn, Washington. Plaintiff's motion for temporary restraining order and preliminary injunction is scheduled for May 8. This case is of considerable local interest.
 - **Attorney General Review of Security at Federal Buildings:** Last week, DOJ hosted a meeting of Federal protective agencies and security officers of federal agencies to plan for review of security at all federal locations. A work group has been formed to articulate the standards by which security at these installations can be judged.

- **COPS:** On Tuesday, May 2, 1995 COPS Director Joe Brann and DoD representatives announced the launch of the Troops to COPS program, providing grants of up to \$5000 to cover the costs of training recently separated veterans as new community police officers. The COPS Office has also received 508 applications for the COPS AHEAD program out of 632 authorized agencies announced in December. 402 await final approval, and 12 grant awards have been made. Of the more than 6,660 grantees declared eligible for COPS FAST, 3,950 have applied, and more than 1000 grant awards have been sent out to date.
- **Free Access To Clinic Entrances Act.** On May 11, Deputy Attorney General Jamie Gorrellick testifies before the Senate Judiciary Committee, chaired by Senator Hatch, on the Free Access to Clinic Entrances Act.
- **New Agents Arrive At Southwest Border:** The Border Patrol Sector in El Paso, Texas, anticipates the arrival of 32 newly trained agents on May 8.
- **Persian Gulf Syndrome:** On April 27, 1995, a Texas judge granted in part and denied in part a motion to compel the Defense Department to answer questions calling for classified information propounded during a deposition. The court ordered that DoD answer only those questions inquiring as to the classification status of information. As a result of this ruling, it will not be necessary for the Secretary of Defense to assert state secrets privilege.
- **Cocaine Processing Chemical:** On May 19, regulatory controls go into effect over certain U.S. exports of methyl isobutyl ketone (MIBK), a solvent widely used to process cocaine hydrochloride. The regulation will apply only to those chemical shipments that exceed 500 gallons and are exported from the U.S. and its territories to countries in the Western Hemisphere (excluding Canada). Further, international shipments in which a United States broker or trader is involved shall also be considered a regulated transaction. The DEA sought control of MIBK after traffickers turned to this chemical after regulatory and enforcement efforts in Latin America led to shortages of the illicit supply of methyl ethyl ketone, the solvent of choice in cocaine production.
- **Memphis City Council Election System Illegal:** On April 25, 1995, in United States v. City of Memphis, Tennessee, the Court found that the at-large and majority vote requirements in city council elections violates the Voting Rights Act.
- **First Civil Injunction Case Against Operation Rescue:** On April 26, 1995, United States v. White, was filed, the first civil injunctive complaint against Operation Rescue of California. The United States alleges individual defendants interfered with a doctor who provides reproductive health services, while demonstrating in front of his house.

- **Nye County Case:** On April 26, Justice filed a motion for summary judgment in U.S. v. Nye County Supremacy case. Commissioners for Nye County, Nevada, assert that federal lands within the county belong to the state and local governments rather than the federal government. They further assert that federal land managers on that land are trespassing. A hearing date has not yet been set.
- **In New Mexico v. Dwyer, (D.N.M.), Justice Filed a Motion to Dismiss This Action against Two Forest Service Employees on the Grounds of Official Immunity:** The two employees are being charged with trespass in connection with their visit to an unpatented mill site located on the Gila National Forest, for the purpose of investigating alleged environmental violations. The County Attorney declined to prosecute the Forest Service employees and therefore the mill owner is doing so pro se. The trial will be held in May.

Department of Health and Human Services

- ✓ **Department To Approve Welfare Waiver for Delaware Next Week:** Under the Delaware waiver all AFDC recipients must sign and honor a Contract of Mutual Responsibility requiring certain activities necessary for a transition to self-sufficiency. Delaware -- the 28th state to receive a welfare waiver -- will be 1 of over 10 states with an Administration-approved waiver requiring an employability plan very similar to the one included in the President's welfare reform proposal.
- **Mammography Hotline Implemented:** On May 15, FDA plans to announce a new information service for women who want to know if their mammography facility meets federal quality standards. The toll-free telephone service will list all facilities certified by FDA as capable of providing high quality mammograms.
- ✓ **Over 50% of Non-Custodial Parents Pay No Support:** According to a Census Bureau report to be released next week, fewer than half of all non-custodial parents make any payments for their children's support, and only about a quarter of non-custodial parents pay the full awarded amount. The report will show that even among those who had received support awards, payment was inconsistent: 1/2 of those who received support received the full ordered amount, 1/4 received partial payment, and 1/4 received no payment at all. HHS is coordinating this release with Rahm Emanuel in the White House. HHS will issue a press release explaining the findings and pointing out the need for a stronger child support system.
- **Practitioner Enrollment in Medicare Increases This Year:** Nearly 3/4 of the nation's physicians and other practitioners have enrolled in the Medicare participating physician program for 1995. The overall rate of participation for this year is 72.3 percent, up from 64.8 percent in 1994. Participation rose in all states except Rhode Island. By choosing a participating physician, beneficiaries will not be burdened with charges in excess of Medicare-approved amounts.

- **White House Conference on Small Business:** At the request of the White House, Secretary Shalala will travel to Chicago on May 12, where she will speak at a regional meeting of the WH Conference on Small Business.
- **Senate Finance Committee Hearing on Medicare Trust Funds:** On May 9, Secretary Shalala will testify at the Senate Finance Committee's hearing on the solvency of the Medicare trust funds. The hearing will address the 1995 Annual Trustee's Reports, released on April 3, which projects the insolvency of the Medicare Trust Fund by the year 2002.
- **Abortion Rates:** The May 11 issue of *MMWR* will include a surveillance report on abortion rates for 1991. In 1991, the abortion-to-live-birth ratio was the lowest recorded since 1977. While the number of legal induced abortions reported to CDC has remained relatively stable in the last 15 years, CDC has reported a downward trend since 1987. Women who underwent abortions were more likely to be young, white and unmarried. The abortion data as is released annually and the new data does not mark a departure from the current trend.

Department of Housing and Urban Development

- **Federal Receivership of D.C.'s Public Housing Agency:** On May 4, Secretary Cisneros announced the federal takeover of the District's troubled Department of Public and Assisted Housing (DPAH). After 4 months of reaching no resolutions to settlement negotiations regarding the court-appointed receivership of the housing agency, HUD had no choice but to take immediate action on the matter. The Secretary is confident that with the cooperation of the mayor and the staff at DPAH, and public housing residents, public housing communities in DC will be turned around.
- **Oklahoma City Emergency Supplemental Appropriation:** After discussions with Mayor Norick, Secretary Cisneros has identified \$35 million in downtown redevelopment projects that will help revitalize the city in the aftermath of the explosion. In order to support the additional assistance to Oklahoma City, HUD has identified \$35 million in offsets within our budget.
- **Demolition of Public Housing in Atlanta's Olympic Zone:** Friday, May 12th, the Secretary will be in Atlanta to commemorate the demolition of Techwood Clarke-Howell Homes, the oldest public housing development in the nation. Of the 1,195 units of housing at Techwood, over 1,000 units will be torn down and replaced with attractive single family homes both on- and off-site. Part of the Techwood community, is to be used to house the 1996 Summer Olympic athletes; therefore, HUD has been working closely with the City to accelerate its redevelopment plans.
- **Affirmative Action:** On Tuesday, May 9th, Secretary Cisneros interviews with Steve Holmes of *The New York Times* re: affirmative action.

- **Panel Discussion on Defensible Space in Public Housing:** Wednesday, May 10th, Secretary Cisneros will hold a briefing/panel discussion on the concept of "defensible space" as an effective anti-crime measure in public housing. The term "defensible space" refers to a "physical design approach" to crime prevention in multifamily buildings.

Department of Interior

- **Great Lakes Tour:** Next week Secretary Babbitt continues his tour of environmental success stories by visiting Ohio and Michigan. He will visit the Cuyahoga River near Cleveland, stop in Toledo, tour the Lake Michigan town of Grand Haven, and meet with boaters and businessmen in Macomb County, MI. The Secretary will talk about the threat the new Congress poses to the progress that has cleaned our rivers and lakes and revitalized local economies. The trip coincides with Congressional debate on the Clean Water Act.

Department of Agriculture



Farm Bill: On May 10, USDA will release the Administration's guidance for the 1995 Farm Bill. Activities to release the document will include a press conference, Congressional and stakeholder briefings, and mailings across the nation. The following day, the Secretary is scheduled to testify before the House Agriculture Committee on the Farm Bill.

- **Iran Embargo:** USDA has received a number of calls from exporters and producer groups concerned about the trade embargo against Iran. The potential impact of the embargo on sales contracts entered into prior to the embargo announcement is the most immediate concern. There are at least two major sales outstanding (70,000 metric tons of rice and 100,000 tons of corn) that have yet to be shipped to Iran. The industry is also concerned about the loss of a market valued at \$85 million in 1994 (mostly rice, corn, and vegetable oils) to other countries as well as the potential adverse impact on the United States' reputation as a reliable supplier of food.



● **Pacific Northwest Economic Adjustment Program/Forest Plan:** 3 environmental groups have filed a lawsuit against 12 USDA Forest Service timber sales in Oregon and Washington. The complaint in Native Forest Council v. U.S. Forest Service alleges that the timber sale National Environmental Policy Act documents must be rewritten due to the revisions of the sales which resulted from the President's Forest Plan. Plaintiffs also allege violation of the Endangered Species Act for failure to consult on cumulative impacts of federal and private activities, which allegedly impact several threatened and endangered species.

- **Japan Issues New Quarantine Regulations:** Japan's Ministry of Agriculture, Forestry, and Fisheries has begun taking quarantine action against U.S. soybean shipments containing purple mottled and stained soybeans, a disease caused by *Carcospora kikuchii*. Shipments will be rejected at destinations if they contain 1 percent or more of purple stained soybeans. The USDA Grain Inspection, Packers, and Stockyards Administration and Foreign Agricultural Service are working with the American Soybean Association to address this issue.

Environmental Protection Agency

- **Clean Water Act:** On May 10, the House begins debate on the Clean Water Act reauthorization bill. The Republican legislation -- developed in meetings held with industry lobbyists, from which EPA, public health professionals and public interest organizations were excluded -- rolls back years of progress in cleaning up and protecting the Nation's waterways. The bill provides exemptions for wealthy special interests and corporate polluters and prevents EPA from continuing the public health and environmental protection provided by the Clean Water Act over the past 25 years.
- **Unfavorable Court Decision on EPA's Renewable Oxygenate Requirement:** On April 28, 1995, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion holding that EPA does not have authority under the Clean Air Act's reformulated gasoline provision to require the use of renewable oxygenates, such as ethanol, in cleaner burning reformulated gasoline (RFG). The Court held that EPA's RFG requirements had to be designed to reduce pollutants, and that requiring the use of renewable oxygenates to obtain other secondary benefits -- like reducing dependence on foreign oil -- was beyond EPA's authority.
- **Project XL:** This week, EPA announces a set of actions designed to give regulated sources greater flexibility in meeting environmental goals. This set of actions, called Project XL will help facility managers demonstrate *excellence and leadership* by reducing the costs of environmental management and achieving environmental performance beyond that required in existing regulations. Facilities, industries or communities will have the freedom to develop alternative strategies that will replace or modify specific regulatory requirements on the condition that they produce greater environmental benefits.
- **Rescissions:** The Senate and House are expected to go to conference on the FY1996 rescission packages next week. Both bills call for nearly \$1.4 billion in cuts from EPA's budget, however the House cuts predominantly from the Drinking Water State Revolving Fund (\$1.3 billion), whereas the Senate cuts are more diverse, including \$799 million from the Drinking Water State Revolving Fund, \$443 million from the Hardship Cities Fund and \$100 million from Superfund.

- **New Hampshire Commencement Speech:** On May 13, Administrator Browner delivers the commencement address to Colby-Sawyer College in New Hampshire.

Department of Veterans Affairs

- **Iowa Boy Scouts:** On May 6, Secretary Jesse Brown travels to Iowa to present the Commission Flag and Certificates to a local Boy Scout Troop in honor of the Iowa-Illinois Quad Cities Community's V-E Day Commemorative Ceremony. He will also visit the Rock Island National Cemetery.

United States Trade Representative

- **Auto Parts:** On May 3, Amb. Kantor travelled to Vancouver, British Columbia and held six hours of meetings with Japan MITI Minister Ryutaro Hashimoto concerning auto/auto parts. Negotiations at the expert level continued on May 4 in Whistler, British Columbia. Amb. Kantor and Minister Hashimoto will conduct further negotiations on May 5 in Whistler. To date, little progress has been made in resolving differences.

Small Business Administration

- **Field Offices Closings:** On Monday, May 1st, Administrator Lader announced the SBA's new field office proposal brought about by the Agency's reinvention program. Many Members of Congress were notified by phone calls as well as letters outlining the effect the closings would have in their districts and the presence SBA will continue to maintain through their resource partners.
- **SBA Disaster Service Center in Oklahoma City:** As of May 4th, there have been 585 interviews, 496 applications issued and 46 applications completed and received. In all, 23 loans have been approved (18 homeowners, 5 businesses) for \$249,100. The closing date for filing applications for physical damage is June 24th.

Office of Personnel Management

- **Ramspeck:** Next week's Senate hearings on the Ramspeck Act may produce Republican criticism of the number of appointments since last November.
- **Civil Service Reform:** Draft legislation for the civil service reform reinvention initiative has been completed. By week's end, NPR staff will have briefed the unions, the President's Management Council and agency personnel directors.

Social Security Administration

- **Possible Oregon State Employee's Strike:** A possible strike by the State of Oregon's employees, which may occur during the week of May 8, could have an impact on the State Disability Determination Service's (DDS) processing of Social Security disability claims. The major issue between the State and the Members of the Oregon Public Employees Union is a 6-6.5% across-the-board salary increase. During the last strike, in September 1987, the DDS employees were absent from work for four days.
- **Advisory Council:** The 1994-1995 Advisory Council on Social Security will hold meetings May 19-20 in Washington, D.C. to continue addressing the long-range financing of the Social Security program. The meetings will be open to the public. The Advisory Council was established by law to examine and make recommendations on the Social Security program. The Council is expected to issue its report later this year.
- **Medicare Hearing:** On May 9, the Senate Committee holds a hearing on the Status of the Hospital Insurance Trust Fund (Medicare). Senator Packwood has asked that all members of the Social Security Board of Trustees accompany Secretary Shalala. The Board of Trustees includes: the Secretaries of Treasury (Chair); HHS; Labor; the commissioner of Social Security; and two public members, Mr. Stan Ross and Mr. David Walker.

Corporation for National Service

- **New Hampshire Commencement Speech:** On May 12, Eli Siegal delivers the commencement address to Keene State University (New Hampshire University System) in Keene, NH.

Department of State

- **Croatia:** In response to the Croatian offensive in Sector West and the subsequent rocket attacks on Croatian cities by Krajina Serb forces, State called for restraint on both sides. Secretary Christopher spoke with Kozyrev to urge him to press Milosevic to support these efforts. State also ordered the departure of Embassy Zagreb dependents and nonessential personnel, and are providing assistance to American citizens who choose to leave. The first convoy of 49 evacuees reached Slovenia on May 2, and a second with 17 evacuees on May 3. The parties agreed to a cease-fire May 3, but it has not been effective.
- **Reaction to Iran Embargo:** Most of the G-7 publicly expressed skepticism over the embargo announcement. This is no surprise, but our leadership on this issue can still show results as allies decide whether or not to extend new credits to Tehran.

- **Cuba:** Overall reaction to the new Cuban migration agreement has been more favorable than expected, with at least some surprisingly positive reaction in Miami. In briefings with members of Congress, many were pleased with paroling refugees from Guantanamo, others expressed anger with the decision to return migrants intercepted at sea and raised questions about how the agreement was negotiated and how it would be monitored.
- **Americans Detained in Iraq:** Barloon and Daliberti were returned to prison from a Baghdad hospital on May 3. It is not clear whether Barloon suffered a heart attack. Daliberti was not ill but received medical examinations while in the hospital. Given Barloon's medical situation, State is pressing the Iraqis again for immediate release, and has asked the French, Russians and Boutrous-Ghali to weigh in.
- **Bosnia:** It appears that Senator Dole will not move immediately for passage of S. 21, his bill for unilateral lifting of the Bosnian arms embargo.
- **Budget:** It is expected that Senate Budget Chairman Domenici's mark for the 150 Account will be approximately \$17.9 billion and House Chairman Kasich continues to propose cuts of \$4.5 billion. Some House members are deeply concerned about Kasich's draconian proposals and may appeal to the Speaker. The Secretary spoke with Kasich on May 2 and found him responsive to specific concerns, but not forthcoming about providing adequate funding.
- **Iran Embargo :** Reaction to the Executive Order has been mixed. Senator D'Amato called it a good first step and urged Congressional support for the Administrations efforts to enlist allied support. Republican reaction at a House hearing, led by Chairman Toby Roth, was rough and stressed the lack of G-7 support and potential losses to U.S. companies.

Department of Defense

- **Migrants:** Migrant operations at GTMO remain unchanged. Currently, there are approximately 476 Haitians remaining at GTMO awaiting completion of medical treatment and INS screening. Of those, 85 are medical hold, 78 are in safehaven status, and 249 are unaccompanied minors. Cuban migrant members total 20,927.
- **Ecuador/Peru:** Military Observer Mission Ecuador-Peru (MOMEPE) observers are deployed to forward observation sites along the disputed area of the Peru/Ecuador border on a rotational basis. MOMEPE, now being supported by U.S. Army helicopters (4 x UH-60L), will be replaced by State Department contract helicopters (4 x Bell 212).

- **Haiti:** U.S. forces in Haiti number 2,408. There are 76 U.S. troops remaining in Haiti from JTF-190. A small JTF-190 staff will remain to manage the non-UNMIH personnel deployed to Haiti from the United States. UNMIH is limited in size to 6,000 military troops from all countries. Voter registration is currently moving forward, and elections begin in June 1995. Haitian elections are the big focus of the UNMIH effort at this time.
- **UNCINCPAC Travel:** Admiral Macke completed a successful visit to China, April 26-28. The discussions were open and frank; however, the Chinese held closely to standard positions.
- **DFAS-Cleveland:** Thursday, May 4, in Cleveland, a Defense Finance Accounting Service ribbon cutting ceremony inaugurated the beginning of DOD's Retired Annuitant Pay System. This streamlined system pulls together the payments to all of Defense's 1.2 million retirees and annuitants into a single standard system. Previously the Military Departments each paid their own retirees and annuitants.
- **National Security Reviews of Foreign Purchases of U.S. Companies:** Judy Miller and her staff, have drafted an amendment to the Executive Order governing the review of foreign purchases of U.S. companies by the Committee on Foreign Investment in the United States (CFIUS). The amendment, which incorporates lessons learned from the recent acquisition of Allison Engine Company, Inc. by Rolls Royce plc, would remove the current requirement that unanimous determinations clearing a proposed acquisition must, nevertheless, go to the President.

United Nations

- **Israel, Egypt, Jordan and Prague:** Ambassador Albright's trip to Israel, Jordan and Egypt has been going very well. Her meetings with Israeli President Weizman, Foreign Minister Peres and Prime Minister Rabin were very productive. She also had excellent meetings with Jordan's King Hussein, Prime Minister Bin Shakir and Foreign Minister Kabariti. In Egypt, Ambassador Albright's meetings with President Mubarak and Foreign Minister Moussa also went very well, although the question of Israel's accession to the Non-Proliferation Treaty and Egypt's opposition to indefinite extension of the treaty remained areas of disagreement between them. On Friday, May 5, the Ambassador will travel to Prague to represent you in ceremonies commemorating the 50th Anniversary of the World War II liberation of Plzen by American troops.

- **Bosnia/Croatia:** Late Monday, May 1, the Security Council held an emergency session on the increased military activity in Croatia. The Council adopted a statement calling on the parties in Croatia to abide by the ceasefire agreed to in March.

On Wednesday, May 2, the Security Council adopted two statements on the situation in Bosnia. One statement demanded that Sarajevo airport be reopened to humanitarian relief flights and that the Bosnian Serbs guarantee the safety of all such flights and all UN aircraft. The second statement expressed the Council's concern at the failure of the parties in Bosnia to agree to an extension of the ceasefire and called on the parties to prevent escalation of the conflict.

US/UN expects the deteriorating situation in Bosnia and Croatia to predominate in the Council's workload this month.

- **Iraq:** The bi-monthly Iraq sanctions review occurs on Friday, May 12. US/UN does not expect any changes to the current regime, in view of the UNSCOM Chairman's report that there are still problems surrounding Iraq's biological weapons capabilities.

CC: THE VICE PRESIDENT
LEON PANETTA
HAROLD ICKES
ERSKINE BOWLES
GEORGE STEPHANOPOULOS
MARK GEARAN
ALEXIS HERMAN
MICHAEL MCCURRY
JACK QUINN
JOHN ANGELL
MARTHA FOLEY
BARRY TOIV



Potus DID
on AK-1



THE PRESIDENT HAS SEEN
5/15

THE WHITE HOUSE
WASHINGTON

95 MAY 5 P4:48

RECOMMENDED TELEPHONE CALL

TO: Governor Tom Carper (D-DE)

DATE: Monday, May 8, 1995

RECOMMENDED BY: Marcia L. Hale *MHL*
John Emerson *JE*

PURPOSE: To let the Governor know that Delaware's welfare waiver has been granted by HHS.

BACKGROUND: Governor Carper's office has worked closely with HHS to gain approval of this waiver. The Governor, who is the lead Democratic Governor on welfare reform, feels very strongly about this waiver. The waiver, which will be a key component of Delaware's welfare reform plan, will allow the Governor to rebut Republican criticism of his efforts on welfare reform.

The attached sheet from HHS provides a description of the provisions of the waiver.

- TOPICS OF DISCUSSION:
1. I'm calling to announce that HHS has granted Delaware's welfare reform waiver.
 2. Thank you for the time you have spent working on getting this waiver approved. I know you have been closely involved in this process.
 3. Thank you for your leadership in your role as the head Democratic Governor on welfare reform. You and your staff have provided my Administration with key advice and counsel on this important issue. I look forward to continuing to work with you as Congress debates national welfare reform legislation.
 4. This is the 28th welfare waiver that my Administration has granted. My Administration is committed to granting waivers to state with responsible welfare reform plans.

CONTACT PERSON AND

TELEPHONE NUMBER: Susan Campbell (Governor's personal assistant)
302/577-6636

DATE OF SUBMISSION: May 5, 1995

ACTION: _____

DELAWARE: A Better Chance**Description**

The Welfare Reform Project (WRP) would include:

- . 2-year limit on cash benefits for cases with able-bodied adults;
- . the provision of the set of JOBS educational and employment services based on the adult's age and other relevant factors;
- . provision of two additional years of benefits provided under pay-after-performance workfare program for most cases;
- . non-time-limited benefits under "Children's Program" for unemployable cases or child-only cases;
- . requirement for development and cooperation with self-sufficiency contract requirements in addition to employment-related requirements, including parental responsibility for school attendance and immunizations of children and parenting education;
- . education and employment-related sanctions to be 1/3 reduction in AFDC benefits for first offense, 2/3 reduction for second, and loss of AFDC benefits for demonstration period for third offense;
- . penalty for failure to comply with other contract requirements of \$50 the first month, increasing by \$50 per month until compliance;
- . full-family sanction for noncooperation with Child Support;
- . no AFDC increase for additional children conceived while family is on assistance;
- . no 100-hour and work history rules for AFDC-UP;
- . creation and exemption of special education and business accounts up to \$5,000;
- . fill-the-gap budgeting using child support and earnings for recipients;
- . increase auto resource limit to \$4,500;
- . \$50 bonus payments to teens who graduate from high school;
- . provision of an additional 12 months of transitional child care and Medicaid benefits;
- . no time limit on job search;
- . requirement for minor parents to live in adult supervised setting and meet social contract requirements including attend school, participate in parenting education, and immunize their children; if living with parents, parental income up to 300% of poverty level is disregarded; and
- . provision of JOBS services to non-custodial parents.

Status

Application received January 30, 1995.

Revised application received February 28, 1995.

Proposed implementation date October 1995.

THE WHITE HOUSE

WASHINGTON

May 15, 1995

Harold --

Small complaint about paper bypassing our office -- in this case the Riley/Stephanopoulos/Galston memo on "Religion and Moral Values."

This morning, I nearly sent up to the President the Marian Wright Edelman memo proposing a values/healing summit, which I had circulated to a few people (you, Leon, Erskine, George, Galston, Billy, Maggie). I was preparing a short note reflecting the views of George, Billy and Leon (via John Angell) and had called Galston to see if he had any input. It was only then I discovered that pursuant to a broader-based meeting on Friday, Bill had prepared a memo to the President subsuming the Edelman memo (and including it as an attachment), and that you had passed this memo to the President without sending it through our office. Had I not reached Bill, I would have sent the Edelman memo to the Oval, which would have appeared thoroughly uncoordinated, since the President had already received the broader Galston memo.

This office can't serve the President properly when things go into him sideways and without our knowledge. Nor can we do the job of keeping relevant senior staff people (e.g., Billy Webster in this case) in the loop if we're not in it ourselves.

I would be happy to discuss this further if necessary. Thanks.


Todd

cc: Leon Panetta
Erskine Bowles

sent
95 MAY 15 P3:22

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 15, 1995

95 MAY 15 P3:08

Date of Request: 4/12/1995

Request for: POTUS/FLOTUS

Type of Request: Honorary Committee members

Requestor Name: Ms. Gloria J. Sandoval

Title: Executive Director

Organization: Shanti Project
1546 Market Street
San Francisco, California 94102-6007

Contact Tel. #: 415/864-2273

Event Date: n/a

Event Description: Into the Light campaign

Notes: The campaign is "designed to increase public awareness and raise the funds necessary to meet the needs of people with AIDS." James C. Hormel, Whoopi Goldberg, Robin Williams, Michael Feinstein, and Lily Tomlin have already lent their names. Paul Richard says that Shanti Project has had embezzlement problems and problems with its board in the past. Charlie Duncan, WH Liaison to the DOD, claims that the problems have been cleared up, and he endorses this request. We have been unable to confirm independently the current status of these problems.

Recommendations:

MW _____

JP WCO

EB _____



OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1000

rec'd 4/19/95

WHITE HOUSE LIAISON

TO: Jim Dorskind
FROM: Charlie Duncan *fw*
DATE: April 12, 1995
RE: Shanti Project-honorary committee

Attached please find correspondence received by my office requesting that one or both of the Clinton's lend their name to the honorary committee.

While I am aware there is a vetting process, you can add my name as one endorsing this request. Shanti is a terrific organization providing very necessary services to people with AIDS in the San Francisco area.

TO Dan B.
*Dan - pls before
call me
you send this around.
Tina.*
2.

*cc: Duncan on the response -
(He's Special Asst to the Secretary of Defense
for WH Liaison)*

Per Paul Richard 5/10/95

There were embarrassment problems and problems on the board.

*Kristin Chambers 415 - 291 - 5454
Exec Dir. of AIDS Legal Referral Panel*

SHANTI
PROJECT

Support Services for People with AIDS and Their Loved Ones

April 12, 1995

President Bill Clinton
Hillary Rodham Clinton

via telecopier: 703-693-6908

Dear President and Mrs. Clinton:

Over the years, your support of non profit organizations has made a great difference in the lives of many people living with HIV/AIDS. I am writing to you now to request your support for a very special project.

As you may know, it is estimated that more than 1.5 million Americans are HIV+. In San Francisco alone, over 28,000 men, women and children are living with HIV disease, and the number continues to grow.

Shanti Project is a nonprofit organization serving people with HIV disease and their loved ones. In response to the growing need for our services and anticipated reductions in government funding, Shanti is launching the *Into the Light* (ITL) campaign, a community effort designed to increase public awareness and raise the funds necessary to meet the needs of people with AIDS.

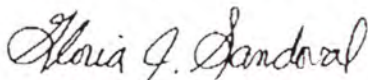
We are contacting well-known and respected people to lend their names to Shanti's ITL Honorary Committee. Among those already committed are Chairperson James C. Hormel, Whoopi Goldberg, Robin Williams, Michael Feinstein and Lily Tomlin. Others being contacted include Barbra Streisand, Tom Hanks, Reverend Cecil Williams, Roberta Achtenberg, Danny Glover, Kevin Costner and Barry Bonds.

The function of the ITL committee is to help increase public awareness of the continuing need for HIV/AIDS services and to garner public support of the great work of Shanti Project. Responsibilities of committee members are limited to the use of your name as a committee member on campaign materials. Donations to the ITL campaign and attendance at Shanti special events are also welcomed.

Enclosed you will find a brief overview of the ITL campaign as well as some background information on Shanti Project.

Lending one or both of your names to this campaign can help make all the difference in our success. We really appreciate your consideration of this request and hope we can work together in the fight against AIDS.

Sincerely,



Gloria J. Sandoval
Executive Director

Enclosures

1546 Market Street
San Francisco
CA 94102-6007
415-864-CARE
415-864-6584 FAX



THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN 5/15

95 MAY 9 A8:09

5 May 1995

MEMORANDUM TO THE PRESIDENT
LEON PANETTA

FROM: Harold Ickes (P)
SUBJECT: Militia groups

On 4 May, I spoke with Ron Goldfarb (202-466-3030) who represents 2 men who are experts in right-wing militia groups.

One is Leonard Zeskind, who has infiltrated 1 or more of these groups, and has written an about-to-be published book about them. Apparently he lives under an assumed name.

The other is Danny Levitas, who is currently living in Atlanta working for the Center for Democratic Renewal. He also has extensive knowledge about, and dealings with, right-wing groups.

Both would be interested in talking with anyone at the White House about these groups.

Let's discuss.

*V. Ickes
Let's discuss Monday*

GENERAL COUNSEL OF THE NAVY
Washington, D. C. 20350-1000



FAX TRANSMITTAL

DATE: 5-15-95

TO: Mr. Todd Stern
OFFICE: 456-2702
PHONE:
FAX NUMBER:

FROM: Hon. Steven S. Honigman
OFFICE: General Counsel of the Navy, Pentagon, Room 4E724
PHONE: (703) 614-1994
FAX NUMBER: (703) 693-7560

NUMBER OF PAGES (INCLUDING COVER SHEET): 5

NOTE:

B. L. (webster)
Fy1,
Todd
5-15-95



GENERAL COUNSEL OF THE NAVY
WASHINGTON, D.C. 20350-1000

May 15, 1995

MEMORANDUM FOR TODD STERN

Subj: DISTINGUISHED RANK SENIOR EXECUTIVES

I don't want to become too persistent on this matter, but a Navy member of the Senior Executive Service showed me this article without knowing of my prior recommendation.

Sincerely,

A handwritten signature in black ink, appearing to read "Honigman", is written over a horizontal line.

Steven S. Honigman

Attachment

ACTION

Published Exclusively for Members of the Senior Executives Association



MAY
1995

VOL. 15 NO. 3

**INSIDE
THIS
ISSUE**

Legislative Update
4

*Unions may be
sharing too much
power*
6

Retirement News
8

*SEA and SEA PDL
finances*
12

Inside SEA
14

EXPECTED MAILING DATE
May 4, 1995

Oklahoma tragedy reaches all federal workers

FEDERAL EMPLOYEES ACROSS THE country, and people around the world, were stricken by the bombing of the Federal Building in Oklahoma City April 19. SEA extends its condolences to everyone who was touched by the tragedy.

The following editorial, which ran in *The Washington Post* on Saturday, April 22, delivered an important message about the need to put faces to — and respect — federal employees.

Federal Employees

"Some of them are still buried in the rubble. Some are hospitalized, perhaps broken in body, if not in spirit, for the rest of their lives. Others will be memorialized by the nation

tomorrow. They are part of the group of an estimated 550 women and men who earned their living in that federal building in Oklahoma City. They are federal workers.

"The next time you are tempted to go off on the federal work force, as if those employed inside federal office buildings constitute nothing more than a financial threat to the Republic, think of that gutted facility in Oklahoma City. But don't stop there.

"Suspects in this country's worst bombing in 70 years are now in custody. Credit a swiftly launched, massive round-the-clock investigation conducted by thousands of law-enforcement agents and officers around the

See OKLAHOMA, page 2

SEA PDL honors Distinguished Executives Post Columnist chides White House

THE SENIOR EXECUTIVES ASSOCIATION Professional Development League held its annual banquet for Presidential Distinguished Rank Award winners April 20, at the State Department. Complete coverage of this event will appear in the June issue of ACTION. That issue will include a complete listing of the award winners.

The ceremony was the only public recognition for Presidential Rank Executives. *Washington Post* "Federal Diary" columnist Mike Causey in his April 24 column expressed the disgruntlement federal workers all over the United States feel about their treatment by politicians. Here is one example he used:

"On Thursday, for instance, there were two long-planned black tie dinners. At one, the White House entertained the president of

Brazil, business officials, actors, athletes and media heavies. Career civil servants were there — providing security and parking cars.

"The other dinner — same time, a couple of blocks away — was at the State Department, honoring 61 top civil servants who were given presidential rank awards (worth \$20,000 each). But it was paid for by the private association representing the executives. What the executives did to win their awards — in science, law enforcement, administration, technology — would make a great movie, or maybe 61 good movies.

"Presidents Jimmy Carter, Ronald Reagan and George Bush honored the executive winners at high-profile White House

See AWARDS, page 10

SEA PDL*AWARDS, from page 1*

ceremonies (except one year when overzealous Reagan aides barred the media from the news conference lest the world find out about the awards).

"Clinton's advisers, however, decided it would be inappropriate to have a high-profile ceremony honoring top bureaucrats while the administration was reinventing — and sometimes whacking — the bureaucracy. So this year and last, winners got the money and the award but no White House photo op with the president. If you think that doesn't matter, check with a winner or a winner's family member.

"The secretary of the Army, the IRS commissioner, the head of the National Security Agency and some other top brass did show up — at State, not the White House — to support their winners.

"During the dinner, Carol Bonosaro, president of the Senior Executives Association Professional Development League, noted, diplomatically, that the Clintons were having a party at the same time, with lots of important people. "No disrespect intended," she said, "but we'll put our guest list up against their guest list any day."

Following is a complete list of all 1994 Presidential Meritorious Rank Executives. Of the 258, 83, or 40 percent, are SEA members (denoted by asterisks):

Department of Commerce

Frank W. Deliberti
Michael K. Kirk

Department of Defense (OSD)

Herbert Lee Buchanan, III

David O. Cooke
Bruce A. Dauer
Kenneth I. Daugherty
Richard Lee Dunn
L. Walter Freeman, Jr.
David R. Israel* (deceased)
Leon Kniaz*
William G. Lese, Jr.
Bruce J. Pierce*
Manfred J. Reinhard
Dr. Ronald P. Sanders*
Eleanor R. Spector
Dr. John L. Stremple*
Diana G. Tabler
Lindsey W. Williams
David E. Wright

Department of the Air Force

Robert R. Barthelmy
James W. Brinkley*
Darleen A. Druyun
David Finkleman
Ira L. Kemp*
James J. Mattice*
Frederic C. Schwartz*
James C. Wallin*

Department of the Army

Neal W. Atkinson
Dr. Julius J. Bellaschi
Larry O. Daniel
Paul Donovan
Thomas Druzgal*
Robert M. Emmerichs
Melvin A. Prantz, Jr.
Robert F. Giordano
Erin J. Hausman*
Larry H. Johnson*
George L. Jones*
Henry B. Jones*
Edward J. Korte*
Barbara A. Leiby
Dr. Ingo W. May*
Jimmy G. Morgan
Michael A. Parker
Shelba J. Proffit
Richard Vitali
Ernest A. Young*

Department of the Navy

David M. Altwegg*
Irving N. Blickstein*
Ted C. Buckley

Robert P. Draim
Gregg D. Hagedorn
Joseph G. Lynch*
Ralph W. Price

Defense Agencies

Fred C. Celec
Don A. Linger
Michael G. Newman
W. Douglas Smith
Gary S. Thurber

*Department of Defense
Inspector General*

David K. Steensma*

Department of Education

Maureen Anne McLaughlin
Steven N. Scharken*

Department of Energy

John E. Baublitz
Peter N. Brush
Elizabeth V. Buffum*
William J. Costello*
Stephen P. Cowan
James F. Decker
Clyde W. Frank
Rush O. Inlow*
Jill E. Lytle
Daniel L. Wilken

*Department of Health and
Human Services*

Virginia S. Bales
Nancy J. Dapper
Beverly Dennis, III*
Florence B. Fiori*
Ronald G. Geller
Ada Sue Hinshaw
David L. Jenkins*
Martha F. Katz
Dr. Stephen I. Katz*
Thomas M. King
Roland E. King*
Charles E. Leasure, Jr.*
Naomi B. Marr
Joseph F. McDade
George J. Schiebe
Barbara S. Sledge
Dr. James B. Snow, Jr.
Janc Tebbutt
Samuel S. Thompkins

S E A P D L

Joel E. Wall
Cathryn C. Zoon

Department of Interior

Robert J. Ewing
Dennis P. Galvin*
Eugene Hester*
Robert M. Hirsch*
Willie R. Taylor*

Department of Justice

Cathleen M. Hawk
Christine M. Marcy*
Joseph H. Widmar
Kenneth I. Zwick*

Department of Labor

Donna R. Fraser
Fredrick A. Housh, Jr.*
Daniel L. Lowry*

Department of State

Donald J. Bertauer
Vincent J. Chaverini
David A. Colson
Nancy Ely-Raphel
Jonathan B. Schwarz
James H. Thessin

Department of Transportation

Thomas C. Accardi*
Madeleine S. Bloom*
William A. Boehly
Neil R. Eisner*
Van K. Harlee
Rose A. McMurray
Ronald E. Morgan
Jacqueline L. Smith
Nicholas S. Stoer*
William H. Williams, Jr.
Steven B. Zaidman

Department of Treasury

L. Paul Blackmer, Jr.
Bland T. Brockenborough
Robert J. Carver*
Jack P. Chivatero*
Michael P. Dolan*
Patrick J. Dowling
David L. Gaugler*
Richard J. Griffin
C. Wayne Hamilton*
Kenneth R. Papaj

James Quinn*
Roger Rhodes*
William F. Riley*
Gregory D. Rothwell*
Michael D. Serlin*
Leonard S. Walton

Department of Veterans Affairs

James A. Goff*
Frederick L. Malphurs*
Alline L. Norman*
Robert A. Perreault*
Barbara A. Small*
Joseph Thompson*
Raymond John Vogel*
Gary L. Wilkinson*
Alice L. Wood*

Environmental Protection Agency

Dale S. Bryson
Cynthia C. Dougherty*
Charles E. Findley
Myron O. Knudson*
Richard L. Lemley
Susan G. Lepow
Alfred W. Lindsey*
William J. Muszynski

Equal Employment Opportunity Commission

Elizabeth M. Thornton

Federal Emergency Management Agency

Dennis H. Kwiatkowski*
Robert H. Volland*

Federal Trade Commission

Alan Proctor

General Services Administration

Roger D. Daniero*
Thurman M. Davis*
William B. Early, Jr.*
Aki K. Nakao*
James F. Steele, Jr.*
James G. Whidock*

National Aeronautics and Space Administration

Stephen G. Bales
Charles P. Blankenship

Michael E. Christensen
Gregory W. Condon*
Benita A. Cooper
James B. Costello
Mark King Craig
Robert L. Crippen
Dr. Douglas L. Dwyer
Charles T. Force
John Royer Garman
Steven Alan Hawley
Wesley T. Huntress, Jr.
John Robert Lang
JoAnn H. Morgan
Arnauld E. Nicogossian
John J. Nieberding*
James R. Ramler
Joseph H. Rothenberg
Dr. Fredric H. Schmitz
Allan Sherman*
William F. Townsend
Samuel Lee Venneri
Dr. Edward J. Weiler*
Robert E. Whitehead
Lynette D. Wigbels
Joseph A. Yuska

National Labor Relations Board

Alvin P. Blyer*

National Science Foundation

Dr. James F. Hays*
Dr. Marshall M. Lih
Dr. Nathaniel G. Pitts*

Nuclear Regulatory Commission

Gerald F. Cranford
Jesse L. Funches
Edward L. Halman
Thomas T. Martin
James F. McDermott

Office of Management and Budget

Richard P. Emery, Jr.*
Charles E. Kieffer
Franklin S. Reeder

Small Business Administration

Lawrence E. Barrett*
John R. Cox
Martin D. Teckler

U.S. Trade and Development Agency

Nancy D. Frame



THE PRESIDENT HAS SEEN 5/15

THE WHITE HOUSE

WASHINGTON

MEMORANDUM NO: 52

To: Erskine Bowles

From: Tom Kalil TAK

Re: Cable provisions of proposed telecommunications legislation

Date: May 1, 1995

Mr. President -

NEC Response to

Betsy's position -

LESLIE

I will meet with

Betsy again

Per judg. Sec. will

have rep. from the

industry -

In a memo to you, Betsy Wright stated that "it is now clear to the industry and the investment community that some measure of cable rate relief is essential to allow the cable industry to accumulate the capital necessary to upgrade their networks to compete with the telephone industry."

Although the Administration is willing to consider some changes in cable regulation, we are unwilling to support provisions of the Pressler bill which would effectively deregulate cable rates before there is effective competition. Congress passed the 1992 Cable Act (and over-rode a veto by President Bush) because cable companies were raising prices at three times the rate of inflation. Although new technologies (broadband networks, satellites) are holding out the prospect of competition, cable companies still have an effective monopoly in most regions of the United States. The 1992 Cable Act eliminates rate regulation in markets when there is effective competition, which we believe is the right policy.

The Pressler bill would permit cable rates for most programming services to be raised as long as they do not "substantially exceed" the national average. However, the top two companies alone control about 40 percent of the market. Given this concentration, the largest cable companies could easily manipulate national average rates to their benefit. Because the Administration wants a telecommunications bill that will be pro-consumer, we have been working with Democratic Senators such as Senator Lieberman to offer amendments concerning cable rate regulation.

The Vice President has recently met with senior cable industry executives to discuss the telecommunications legislation. Although we believe there is room for compromise, we are not willing to support deregulation of the cable industry before there is effective competition.

Finally, the cable industry is continuing to thrive despite rate regulation. Electronic Media reported that in 1993, "cable TV companies' operating income margins at 20.1 percent outperformed the rest of the communications industry."

Please let me know if you need additional information.

THE PRESIDENT HAS SEEN 5/15

THE WHITE HOUSE

WASHINGTON

4 May 1995 95 MAY 9 A8:10

MEMORANDUM TO THE PRESIDENT
LEON PANETTA

FROM: Harold Ickes

SUBJECT: Ed Koch

I gather you met and talked with former Mayor Ed Koch directly after the Holocaust event in New York City last Sunday, 30 April. He praised you on his weekly radio show following the meeting, especially concerning the remarks you made in Oklahoma City about "air waves."

Since he has a weekly radio show with a fairly broad audience, you might want to write him a note saying how glad you were to have a chance to meet him in New York.

OK

THE PRESIDENT HAS SEEN

5/15

THE WHITE HOUSE
WASHINGTON

95 MAY 9 A 8:10

4 May 1995

MEMORANDUM TO THE PRESIDENT
LEON PANETTA
ERSKINE BOWLES

FROM: Harold Ickes

SUBJECT: Timber harvests in Oregon, Washington, and northern California

As the President requested last week, attached is a copy of T. J. Glauthier's 24 April 1995 memorandum to Kitty Higgins regarding timber harvests in Oregon, Washington, and northern California.

As I understand this memorandum, harvesting on forest service and BLM lands in this area ran approximately 4.9 billion board feet annually. Harvest volumes dropped to an average of 1.7 billion board feet as a result of a court injunction issued in 1990.

In June 1993, the President's forest plan projected to sell an average of 1.1 billion board feet annually by FY '97. (The injunction of new timber sales was lifted in December 1994.)

According to the memorandum, current projections are running slightly behind the volumes anticipated at the time of the announcement of the forest plan.

A more detailed discussion is being prepared by CEQ with the assistance of OMB, which will be available later this week.

Please let me know if you need additional information.

*Big Pulcas /
used yesterday
Archie Higgins
Archie Higgins*



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

THE DIRECTOR

MEMORANDUM TO KITTY HIGGINS

CC: Alice M. Rivlin
Katie McGinty

FROM: T.J. Glauthier

DATE: April 24, 1995

RE: Timber Harvests in Oregon, Washington, and Northern California

This is a brief summary of the status of timber harvests in the Pacific Northwest forests covered by the President's Forest Plan of June 1993. A more detailed decision memorandum is being prepared by CEQ with assistance from OMB, which will be available later this week.

Historically, from 1987 to 1990, harvesting of timber on Forest Service and BLM lands in this area yielded approximately 4.9 billion board feet of lumber annually. After the court injunction was issued in 1990, new sales of contracts on federal lands were stopped. Harvest volumes dropped to an average of 1.7 billion board feet, just working off the volume of prior contract sales.

In June 1993, the President's Forest Plan projected to sell an average of 1.1 billion board feet of timber annually. The Administration explained that it would ramp up to the full 1.1 BBF sold by FY 1997 (due to the time needed for planning and executing new timber sales consistent with environmental laws and regulations). The injunction on new timber sales was lifted in December 1994, and full implementation of the Plan has commenced.

As the table below indicates, current projections are running slightly behind the volumes anticipated at the time of the announcement of the Forest Plan. While sales and harvests are not quite synonymous, people in the region undoubtedly expected harvests to be at the projected sales levels in the Plan. Those volumes are approximately 0.1 billion board feet lower than projected for FY95 and FY96, and about 0.2 billion lower for FY97.

USDA and DOI report that every effort has been made to ensure that timber sale commitments are met or exceeded by making efficient use of resources and limiting duplicative activities. An additional 0.2 billion board feet has been identified for

release sometime in FY 1995 or 1996 on both "owl" and eastside forests. The agencies do not foresee additional opportunities for expediting timber sales in FY95.

Pending provisions in the House and Senate rescission bills would override environmental laws governing the National Forests. The Administration has opposed the amendment with concern that if passed in its current form it would tie up implementation of the Forest Plan and other national forests with injunctions. CEQ is planning to work with the conferees to try to fix the provision's most offensive components. Timber estimates for FY96 and beyond could change dramatically depending on the outcome of the rescission bill conference.

Regional staff from USDA, Interior, and Commerce have suggested that the Forest Plan promised level of 1.1 BBF could be reached sooner (possibly in FY96) if timber is prioritized with commensurate dollars and FTE levels. The costs and benefits of such prioritization are being assessed and will be detailed in the later decision memorandum.

Forest Plan, "Owl" Forests (WA/OR/N.CA)
Forest Service & BLM Timber Levels
(Billion Board Feet)

	<u>Sales Volume</u>	<u>Harvest Volume</u>
<u>Pre-Injunction Levels</u> (1987 - 1990)	4.1	4.9
<u>Injunction Levels</u> (1991 - 1994)	0.8	1.7*
<u>Post-Injunction Levels</u>		
FY 1995 Forest Plan	0.6	N/A
Current Estimate	0.6	0.5**
FY 1996 Forest Plan	0.8	N/A
Current Estimate	0.7	N/A
FY 1997 Forest Plan	1.1	N/A
Current Estimate	0.9	N/A

* Timber Harvests were driven by "Volume Under Contract" (VUC) that was not under the court injunction. VUC has dwindled from 12 BBF to 1 BBF as such prior sales were harvested at the purchasers discretion.

** Additional harvest of 0.2 BBF is expected in FY 1995 - FY 1996 due to measures already in place to expedite sales. This is not included in table above to allow for a possible future Presidential announcement.

THE PRESIDENT HAS SEEN 5/15/95
-- 4/25/95 from Robert N. (Bob) Shamansky, prompted by President's speech in commemoration of 50th anniversary of Pres. Roosevelt's death and Dan Schoor's subsequent comments, writes long letter with exhibits re his suggestions for the President to identify with keeping national securities markets sound by making them safe for the small, individual investor.

He believes the most important contribution he can make to President's re-election is to present him a campaign issue which affects millions of security holders in the country. He includes his paper, "Five Proposals by Robert M. Shamansky to Solve the Problem of Undelivered Dividends and Interest for Securities Issues Pursuant to the Requirements of the Securities and Exchange Act.

☒ See Laura Tyson for review/response
☒ To _____
☒ cc to POTUS per HRC
☐ cc to Ickes

Ershin / Laura

Pls review, advise

Bc



BENESCH
FRIEDLANDER
COPLAN
& ARONOFF
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April 25, 1995

Mrs. Hillary Rodham Clinton
The White House
Washington, D. C. 20500-2000

Dear Hillary:

President Clinton spoke in commemoration of the 50th anniversary of President Roosevelt's death at Warm Springs, Georgia. Thereafter, Dan Schorr commented on President Clinton's speech on NPR and reminded us of the important legacies which continue from the New Deal era, specifically mentioning the Securities and Exchange Commission ("SEC").

Upon hearing Dan's comment I resolved to bring to your attention the enclosed copy of the full page editorial from the January 1994 issue of Money magazine (Exhibit 1). The subject of that editorial is the abusive practices of the securities transfer industry, which harm countless thousands of securities owners who disproportionately are older persons. The abuse is that the issuers and their transfer agents hold billions in dividends and interest belonging to their share and bond holders because they refuse to use inexpensive and easily available databases to look for their securityholders. They deny that they have any obligation to locate their securityholders even when those securityholders were "lost" due to the negligence of the issuers or their transfer agents.

The public exposure of this \$10 billion (the SEC's figure) problem began at the celebration held in the New York Sheraton Ball Room after the Democratic Convention in 1992, where - shortly before you and the President arrived - I brought the matter to the attention of Ron Wyden, my Congressional "classmate", who was then Chairman of a Sub-committee of the House Committee on Small Business.

Ron started the ball rolling by writing in the early fall of 1993 to the then Chairman of the SEC, Richard Breeden, who simply brushed off \$10 billion of "lost" securities (See enclosed copy of February 22, 1993 letter from Chairman Breeden to Ron (Exhibit 2). Phil Lader was then at the OMB and was very helpful as was Chris Edley, who also is no longer at the OMB, I believe.

Mrs. Hillary Rodham Clinton
April 25, 1995
Page 2

After a meeting with OMB personnel in late fall of 1993 I walked over to Time Magazine and described what was happening to Mike Duffy, whom you may know as Time's White House correspondent. (I have represented his family since before he was born; I was one year behind his father in Junior and Senior High School.) Through Mike's introduction, the Money magazine full page editorial resulted.

While there are a number of lawyers knowledgeable about the law of unclaimed funds, e.g., property escheated to the states, I apparently am this country's sole expert on the negligent practices of the securities transfer industry, both issuers and transfer agents, which cause these billions to be lost in the first place. (Please see enclosed Exhibit 3: copies of pieces from Redemption Digest and Securities Industry Daily, which has been covering the ongoing struggle on behalf of the individual investors, i.e., shareholders [owners], and bondholders [lenders/creditors].) The cases upholding the Securities and Exchange Act unequivocally hold that the purpose of the Act is to encourage small investors to put their funds in the securities markets, which are the bases of our national economy. It is these individual investors who have lost billions cumulatively due to these practices.

In the meantime, I have spoken on the subject before the annual national meetings of NAUPA, the National Association of Unclaimed Property Administrators (the states) in 1993 and 1994, and the concurrently held annual national meetings of the Unclaimed Property Holders Liaison Council, which represents big issuers like Conoco, Phillips, and Chevron. In addition I addressed the North East Securities Transfer Association last September and the Annual Convention of the Securities Transfer Association in October, 1994 at the Ritz-Carlton at Laguna Niguel, California, which was somewhat like the chickens inviting a fox into the hen house to do a critique of the poultry farm operation. (I mention the preceding to establish that the industry has acknowledged that they have a big problem because it was prudent to invite me to address their conventions, but they steadfastly resist sensible changes even though all of the money involved belongs to the shareholders and bondholders and not to the issuers or their transfer agents.)

The subject of my talks has been the changes needed to stop these violations of law and equity that have evolved from a failure to change practices from thirty years ago. The issuers and their agents refuse to employ computers and databases to locate securities holders. That simply means that they won't employ the same technologies and practices to find those they owe money to that they use to find those who owe them money.

Mrs. Hillary Rodham Clinton
April 25, 1995
Page 3

No matter what law school a lawyer went to (Yale in your case, Harvard in mine,) or even if he or she did not go to any law school, we are dealing with black letter, first year law school principles, like simple contracts, third party beneficiary contracts, agency, trust, unjust enrichment, constructive trusts, due process, and equal protection. We are emphatically not dealing with the arcana of securities law; we are dealing with delivering money timely to the owners of that money.

This lawyer, to check himself on the points of law involved and the few needed changes, took advantage of an opportunity to bounce the proposed changes off of Senior Federal District Court Judge Tom Eisele of Little Rock, my HLS'50 classmate, whom you know, and who holds you and the President in high regard, while we were riding in a glass-domed car of the Alaska Railroad from Denali to Fairbanks last August. (Ted Stevens of Alaska, another of our classmates, organized a mini-reunion on an Inland Passage Cruise on the Nieuw Amsterdam, where Leon Lipson, whom you may have had at Yale, made a star appearance at his first class reunion in forty-four years!)

A further "check" for me was the response from Justice Breyer who sat through a presentation of this material and the proposed changes at the last Renaissance Weekend.

I believe that the most important contribution I can make to President Clinton's re-election is to present to him a campaign issue which affects everyone of the millions of securityholders in our country, especially the older ones who are hurt disproportionately. (I have met at the Federal Affairs Office of the AARP, who recognize their members' interest in this matter.) The law and the equities are clear especially to a good fair-minded CEO like Woody Morcutt, a copy whose note to me is also enclosed (Exhibit 4). The abuses continue right up to the present day. (See enclosed copies of current correspondence between Massachusetts Financial Services Company ["MFS"] and me. Exhibit 5) These practices are so pervasive that almost no one - until Ron Wyden and I came along - knew enough to question what was happening to them.

I "maxed out" when Susan Ness called in September, 1991 to help in starting the President's campaign; I "maxed out" in a contribution to the Presidential Legal Expense Trust Fund; and I did what was commensurate with my means during the campaign, but not even really large sums of money can - in my opinion - be more useful to the President than having him identified in the public's mind with making our national economy work better by assuring the millions of individual investors that they will be fairly treated when they put their hard-earned money in the national securities markets overseen by the SEC. This is only one of many issues the President will need, but I

Mrs. Hillary Rodham Clinton

April 25, 1995

Page 4

believe that this one is a win-win situation where he is championing the essential Federal role which is to protect the individual investor, who is the backbone of our national economy. (I can't imagine any of the Republican contenders for their presidential nomination initiating these changes, but I also cannot imagine how they could oppose shareholders getting their dividends and the interest earned by those dividends.)

I am pleased to report that I have made real progress in educating the staff of the SEC's Division of Market Regulation on the need and ease - with no expenditure of federal funds! - of implementing some simple changes in the Regulations and some minor legislative adjustments, which Ron Wyden is ready to introduce.

On May 3, I have successive meetings set up with Commissioners Roberts and Wallman at the SEC to discuss this matter. I am especially interested to learn their views. (Chairman Levitt wrote me a supportive letter some time ago, but there seems to be some hesitation still at the Commissioners' level.)

From the above I think you can understand why I believe that Ron Wyden and I have come a long way. There is still some distance to go, and it is my most fervent hope that you will be able to find the time to put your good lawyer's mind and sound political instincts to considering the benefits that the President can derive from becoming publicly identified with keeping our national securities markets sound by making them safe for the "small", individual investor. The President can make a difference here on behalf of the investor. (See enclosed copy of Op-EP page piece from the February 15, 1995 issue of the New York Times by Herbert Stein, Chairman of the President's Council of Economic Advisers under Richard M. Nixon and Gerald R. Ford. Exhibit 6)

Any notion that this is a matter for the states to handle a la former Chairman Breen is refuted by the mess the states make of their unclaimed property laws. (See enclosed copy of article from the Columbus Dispatch - which has never endorsed a Democratic presidential candidate in my lifetime that I can remember - that shows that the State of Ohio cannot even find Bank One, Columbus, whose corporate headquarters is across the street from the Ohio Republican Governor's Office. Exhibit 7)

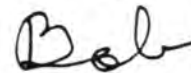
If you or any of your assistants need any further information on what is being proposed (See enclosed copy of the Five Proposals. Exhibit 8), please do not hesitate to call on me. I shall be happy to meet with anyone you wish in Washington, because I believe that the real protection of our country, its society and its economy, lies in President Clinton and not with any of his potential Republican opponents.

Mrs. Hillary Rodham Clinton
April 25, 1995
Page 5

The approach I have followed in making these five proposals to the SEC is that any proposal must (1) be grounded in good law, (2) be practical, i.e., based on readily available, inexpensive technologies, (3) not require large staffs either at the SEC or in the private sector, and (4) not require additional federal funds. I can assure you that this is exactly what these proposals do, because they are based on how the securities transfer industry really works, i.e., computers using software programs that send share and bondholders their dividends and interest.

With best wishes to the President and you, I am

Respectfully yours,

A handwritten signature in black ink, appearing to read "Bob", written in a cursive style.

Robert N. Shamansky

RNS:gsm
Encls.



PLAYING LOST AND FOUND WITH YOUR MONEY

The problem began when Bob Shamansky finally realized he hadn't received \$500 in dividends on the 1,800 shares of The Limited that he had inherited from his Aunt Millie two years before. Manufacturers Hanover, the New York-based transfer agent the \$7.8 billion retailer had hired to distribute its dividends, had mixed up his address. So the dividend checks it dutifully mailed to him kept coming back. In the parlance of the transfer trade, Shamansky had gotten "lost." That was bothersome enough, but what sent the Columbus, Ohio attorney scurrying to his law books was the bank's assertion that it is the lost customer's responsibility to make sure he gets found.

"I said, 'Why didn't you look me up in the phone book?' They said they never do that. 'Really,' I said. 'How long would it take you to find me if I owed you the \$500?' They were using my money for two years. That's illegal. Under American law, you are not allowed to benefit from your own negligence."

Shamansky, 66, refused to give in. As a former Democratic congressman as well as a lawyer, he was soon telling his story to Washington, D.C. authorities. You guessed it—his experience is almost commonplace. The Securities and Exchange Commission estimates that one shareholder account out of every 20 is "lost." In all, transfer agents are sitting on a staggering \$10 billion worth of securities accruing \$500 million a year in dividends that they are failing to deliver.

How could that be? As Shamansky suspected, stock issuers and their transfer agents aren't putting much effort into tracking down the rightful owners. For example, Mellon Bank, which has 400,700 lost accounts, has one person assigned to each 11,448—at most. (The bank's comment: "No comment.") Here's the industry's basic procedure:

First, they try to mail the problem away. If, say, a dividend check gets returned, the agent resends it to the same address in the hope that the post office messed up. If it comes back again, the agent sends it back again. Though the likelihood of the post office misdelivering a letter is around three-millionths of 1% (0.0000032%), this futile remailing ritual can continue for years.

Then they flag it and forget it. After perhaps two or three attempts, a symbol is placed on the account signifying that the dividends cannot be delivered and have not been claimed.

Finally, they surrender it to the state. If the account remains unclaimed after three to seven years, depending on local law, it must be handed over to the state. The state then steps up the



search somewhat, often by running fine-print newspaper ads listing the names on such accounts. The ads work, at least to the extent of attracting a third of the owners within the first year the state gets the accounts. Eventually, however, if no one comes forward, the states liquefy the accounts and pour the money into their treasuries. So many billions are involved that states have sued one another all the way to the Supreme Court over this loot.

The agents' trade group, the Securities Transfer Association, argues

that administering lost accounts already costs 25% more than handling ordinary accounts; therefore, any extra effort to track down these typically small accounts would be uneconomical.

Others disagree with that analysis, however, led by one of Shamansky's former colleagues, Rep. Ron Wyden (D-Ore.), who sits on the committee that oversees the SEC. Last summer Wyden's subcommittee produced a detailed memo titled: "Individual Investors Lose Billions of Dollars of Shareholder Assets Because of Lax Transfer Rules, Indifference by Public Companies and Government Regulators."

"This situation has unfair written all over it," Wyden told MONEY's Elif Sinanoglu. "Billions are sloshing around outside the hands of the rightful owners. I'm going to stay after the SEC until they correct it. And I'm a persistent fellow."

Building on its clear authority to compel agents to maintain accurate records, Wyden wants the SEC to force the industry to adopt the same techniques to find shareholders that are used to trace debtors. Richard Schultz, president of the National Revenue Corp., a leading debt-collection agency, notes that he routinely spends only \$1.50 or less to track down a debtor—which is a fraction of what the typical agent wastes sending mail to the wrong address year after year. "With today's databases," says Schultz, "we can sometimes find a person in 90 seconds."

Shamansky wants one more thing. He believes the industry should pay interest to shareholders whenever their accounts get lost because of company negligence. "I demanded the interest on my \$500, and I finally got it," he says. "But not everyone is a lawyer with a loud voice. The companies should pay for their mistakes as a matter of simple apology. It's the least they could do."

Frank Talli

Managing Editor



THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

EXHIBIT

2

ALL-STATE INTERNATIONAL

February 22, 1993

The Honorable Ronald Wyden
Chairman
Subcommittee on Regulation, Business
Opportunities and Technology
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Dear ~~Chairman~~ Wyden:

Thank you for your letters of August 20 and October 13, 1992, regarding transfer agent practices in distributing dividends. A memorandum from the Division of Market Regulation, responding to your specific questions, is enclosed. Two points in the memorandum deserve emphasis.

First, the duty of corporations to see that their dividend payments reach their shareholders, and the duties of transfer agents and others involved in this process, are mainly matters of state law. Nothing in the federal securities laws requires a corporation to use a transfer agent to distribute dividends, and it is not clear that federalization of this area of corporate law is desirable.

Second, although the absolute value of undeliverable accounts, about \$10 billion according to the Division's estimate, is substantial, this is only about one tenth of 1% of the approximate \$10 trillion capitalization of the U.S. equity and debt markets. Moreover, about 85% percent of these undeliverable accounts are delivered to their owners before they escheat to a state, and some assets are returned to owners after escheat.

Please let us know if you have any further questions.

Sincerely yours,

Richard C. Breedan
Chairman

Enclosure

Redemption Digest and

SECURITIES

Industry Daily

Vol. VI No. 102 • Wednesday, May 25, 1994

Of general circulation throughout the United States

Published in New York City • 60 cents

*Pacific Perspective*Taiwan Stock Exchange
Plans Trading Link
With U.S. Partner

By Chris Kentouris

NEW YORK — The Taiwan Stock Exchange is working to develop an automated link with the San Francisco-based Pacific Stock Exchange, officials of the marts said Tuesday.

The link, details of which are still being negotiated, would allow members of each exchange to electronically trade some of the shares listed on the other.

The news was disclosed by Kenneth Kao, president of the Taiwan Securities Central Depository, following a presentation he gave at the International Securities Operations Association here.

The electronic link would be the first between Taiwan and a U.S. exchange. The concept, said Pacific Stock Exchange President Robert Greber in a telephone interview, was prompted by the large

(Continued on page 8)

Funds Fear Paper Deluge from Small Brokers
In Reaction to Shorter Settlement Period

By Michael Forman

NEW YORK — Fearing an unintended backlash from financial planners and other small broker-dealers, the mutual fund industry is surveying the brokers' plans for dealing with next year's clearing and settlement changes.

At issue is the possibility that the smaller financial intermediaries will reduce their use of electronic order systems and instead send payments, purchase orders and other forms into fund companies by mail.

"The concern is that planners will not want to risk late settlements, leading them to turn away from using some automated systems and instead mail everything all at once," said Manuel Hernandez, president of the service division of the Massachusetts-based Colonial Investors Group. "As a result, our back offices will take a step backwards in terms of manual order processing."

Many financial planners, insurance brokers and other investment advisers today use electronic systems from fund companies or the National Securities Clearing Corporation.

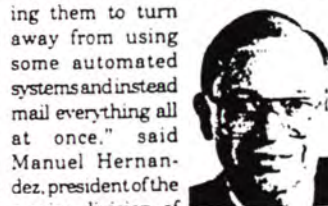
(Continued on page 2)

MSRB Seeks to Modify
Pay-to-Play Sanctions

WASHINGTON (AP-DJ) — The Municipal Securities Rulemaking Board on Tuesday proposed giving regulators flexibility in punishing violations of its rule to restrict political contributions by bond dealers.

The plan by the self-regulatory agency responds to concerns from some municipal bond firms that they could be punished for inadvertent or technical violations of the "pay-to-play" rule, which is aimed at ending

(Continued on page 3)



Manuel Hernandez

DTC Restructures,
Shifts Managers

By Kenneth S. Levine

NEW YORK — In a major restructuring, the Depository Trust Co. is shuffling several high-level officers and slimming the domain of its 200-person information services department.

The changes coincide with the upcoming retirement on June 17 of Michael Fedorochko, 61, DTC's senior vice president of information services.

Instead of replacing Fedorochko, who has been with New York depository for 16 years, DTC is making the department's reconciliation area an independent unit and transferring some officials to other posts.

Edward McGuire, Jr., the depository's corporate secretary, said the reconciliation department as of June 20 will report to the general counsel's office, which is headed by senior vice president Larry Thompson. The reconciliation unit resolves operations-related disputes between DTC and its commercial bank and brokerage participants.

In an internal memo, executive

(Continued on page 3)

Today's News

DTC Reorganizes

...Page 1

Taiwan Seeks
U.S. Trading Link

...Page 1

SEC on Muni
Disclosure

...Page 3

Transfer Agents and States Fend off
Regulation of Shareholder Searches

By Chris Kentouris

NEW YORK — Stock transfer agents, corporations and state officials are urging the Securities and Exchange Commission to refrain from beefing up oversight of their procedures for seeking out missing owners of securities.

Maintaining that transfer agents and states are diligent in tracking down lost shareholders, they are campaigning to defeat moves to step up regulation.

"Isolated instances of errors or abuses should not be the catalyst for imposing extensive reporting requirements," said Anthony Fireman, president of the Corporate Transfer Agents Association, in an April 25 letter to Jonathan Kallman, an associate director of market regulation at the SEC.

The CTA represents corporations that maintain their own stock transfer services for shareholders. Bank

(Continued on page 4)

State Bonanzas

Top beneficiaries of "unclaimed property," 12 months ending 6/30/90*

	Escheated to states (in millions)	Refunded to shareholders (in millions)
New York	\$360.0	\$33.0
California	281.3	32.4
Texas	72.4	16.7
Massachusetts	43.3	9.0
Delaware	35.8	7.3
Florida	35.5	7.3

*Latest date for which figures are available.

Source: National Association of Unclaimed Property Administrators

Transfer Agents Fend Off Regulation

(Continued from page 1)

and independent transfer agents are represented by the Securities Transfer Association.

Current SEC rules address recordkeeping functions, including how long agents have to transfer ownership records. They do not, however, govern what transfer agents must do to locate missing shareholders.

The issue of agents' diligence in tracking down missing shareholders before assets are transferred to state treasuries is in the spotlight because of a scathing report issued last summer by the House Subcommittee on Regulation, Business Opportunities and Technology, which is chaired by Rep.

Ron Wyden (D-Ore). Prompted by the lobbying of Robert Shamansky, an attorney with the Columbus, Ohio, law firm of Benesch, Friedlander, Coplan & Aranoff, it accused issuers, transfer agents, and states of not doing enough to track down missing shareholders.

Half a Billion Dollars

Indeed, the SEC says that \$500 million in dividend and interest payments go unclaimed each year.

The CTA has challenged the congressional report, saying its estimate that 5% of all shareholder accounts are "dormant" is overstated. The corporate transfer agents cited

their own study that pegs the inactive accounts at 1.1% of the total shareholder universe.

Fireman, who is also director of shareholder services for USX Corp. in Pittsburgh, said that further oversight from the SEC would be expensive and redundant. In an interview last week, he noted that corporate transfer agents already use a number of tracking methods to locate potentially lost security holders well before escheating the funds to states.

"We don't have any incentive now to look for the missing shareholders if it means we'll miss state filing deadlines."

— Charles Dougherty, ITT Corp.

The SEC is, in effect, considering regulating what most firms already do voluntarily, he said.

In his letter to the SEC, Fireman repeated the industry stance that self-regulation is the most efficient method for tackling what agents maintain is a limited problem.

Nevertheless, under the heat of potential SEC regulations, stock transfer and corporate transfer agents are taking voluntary steps to tackle the problem. First Chicago Trust Co. of New York, one of the nation's biggest stock transfer agents, said in an internal publication recently that it is reviewing all lost-shareholder service options.

"We now offer a variety of direct tracing, electronic database, and mailing services through our Lost Shareholder Program," the bank wrote. "We are looking to provide even more through location efforts to supplement the state statutory due diligence requirements, which we currently fulfill."

Whiplash for the States

State officials are as wary of further regulatory oversight as the transfer agents themselves.

Although the SEC is not considering direct regulation of states, any crackdown on transfer agents will cause whiplash among state treasurers.

Escheated funds represent big money for state coffers. Each year transfer and paying agents turn over an estimated \$10 billion worth of securities accounts to states in which "lost" securities owners are last known to have resided. The states are free to use part or all of the funds

until their rightful owners claim them.

In a recent letter to the SEC, Nebraska Treasurer Dawn Rockey noted that states are diligent in their pursuit of missing shareholders even after escheatment.

Writing on behalf of the National Association of Unclaimed Property Administrators, which represents state officials, she catalogued a number of techniques for pursuing owners, including first-class mailings, scrutiny of credit agency and other databases for address updates, ads on cable television shows and booths at local fairs.

Rockey also cited several figures to support NAUPA's case that states return a significant amount of assets to their rightful owners, including 30% in Nebraska during fiscal 1994 and a high of 50% in Oregon.

In March, the SEC's Kallman asked the Stock Transfer Association and the CTA for their recommendations on how to monitor the transfer industry. Unlike the CTA, the STA has not yet responded. Michael Foley, president of the trade group and a vice president at First Chicago Trust Co. of New York, did not return calls for comment.

Strict Guidelines

Issuers, for their part, say they are rigorous in making sure that transfer agents and other administrators of unclaimed accounts remit funds according to deadlines established by each state. In most cases, escheatment occurs three to five years after accounts are listed as missing.

But some corporate transfer agents say that states themselves sometimes make their missing-person investigations difficult.

Charles Dougherty, manager of shareholder relations for ITT Corp. in Secaucus, NJ, said the state of California recently assessed a minor fee on his company for filing an unclaimed account late, even though the firm was in the process of trying to track down the missing shareholders.

"They told us that their rules [on timely filing] are pretty ironclad," said Dougherty. "We don't have any incentive now to look for the missing shareholders if it means we'll miss state filing deadlines."

He noted that the accounts ITT was tracking "involved a substan-

tial amount of money" and demanded lots of time. California finally agreed to waive the penalty after he persisted with his protests about mitigating circumstances.

Several industry experts said Dougherty's anecdote shows that the pursuit of missing shareholders is an idiosyncratic unguided activity, dependent on standards of individual issuers and the resources of particular agents. Many transfer agents concede they are ill-equipped to deal with the billions of unclaimed assets whose owners cannot be found.

Costs of Technology

The congressional report noted that Chemical Bank, one the nation's largest stock transfer agents has only two staffers assigned to track down undeliverable accounts, which exceed 20,000 at any time.

Officials at Chemical declined to comment on the bank's escheatment services.

Some critics claim that transfer agents simply do not want to invest in the technology or labor required for diligent pursuit of lost owners. But people close to the industry dismiss that claim.

"Requiring a greater effort to locate security holders will result in some increased, but not excessive, costs to transfer agents if they are doing little or nothing at the present time," said Fireman, the CTA president.

Other corporations said that the cost of maintaining dormant shareholder records on their books is higher than investing in methods to locate the missing owners.

"It's part of the cost of doing business, but you have to balance that with the dollars and cents of keeping the account on your books," said Douglas Czamecki, manager of shareholder services at Texaco Inc.

"It's a never-ending battle. Once you let your guard down, the number of missing shareholders just multiplies."

— Douglas Czamecki, Texaco Inc.

The issue has been gaining attention in the popular press. *Smart Money* magazine recently ranked stock transfer agents based on corporations' assessments of how their agents pursued lost shareholders. First Chicago Trust Company of New York and Harris Trust & Savings Bank won top rankings, while Bank of Boston and Chemical Bank were at the bottom of the pile.

(Continued on page 5)

**NOTICE TO BONDHOLDERS OF
MUNSGWEAR, INC.
Marion County
Town of Hamilton, Alabama
Industrial Revenue Bonds
Series 1968
Base CUSIP No. 406890**

Please note that all bondholders holding Bonds issued in connection with the facility for Munsingwear, Inc., should contact the agent for the Indenture Trustee, First Trust National Association, who is holding an interim payment for bondholders. Call or write to Gloria Kessler, (612) 244-0715, P.O. Box 64111, St. Paul, Minnesota 55164-0111.

The CUSIP number is included solely for the convenience of the Bondholders. Neither the Issuer nor the Trustee shall be responsible for the selection or the use of the CUSIP number, nor is any representation made as to its correctness on the securities or as indicated on any redemption notice.

Transfer Agents vs. SEC

(Continued from page 4)

The SEC's Kallman suggested in his March letter to the STA's Foley that agents could improve their tracking technique at a minimal cost through technological enhancements. Among the SEC's suggestions: Use of computerized databases maintained by information vendors.

The CTA's Fireman did not directly address the use of information vendors but agreed that technological improvements, albeit on a voluntary basis, could help. He said corporations and their agents could better monitor their correspondence files as well as use more sophisticated methods, such as CD-Rom technology, to locate shareholders via telephone directories.

ITT Corp.'s Dougherty said his company for the past five years has been tapping into an information vendor to track down shareholders using social security numbers. "I

don't see what more federal regulation can do," he said.

While he concedes that transfer agents can do more, he contended that the ultimate responsibility for claiming ownership falls on shareholders themselves.

"One shareholder recently complained about why we didn't contact him in seventeen years about his fifteen shares," Dougherty said. "He wanted us to get his money back."

Shareholder Responsibility

The shareholder, whose last known address in 1977 was in Maryland, now lives in Arkansas.

"We sent him a number of letters, and all came back," said Dougherty, who admitted that the firm's current tracking methods might have been able to locate the missing shareholder earlier.

Czarnecki said Texaco is becoming more proactive in locating shareholders. "We are checking with information vendors, making tele-

phone calls, sending those letters, and, in the worst-case scenario, hiring their finders," he said.

Texaco also is checking into how to deal better with the IRS and the

Social Security Administration.

"It's a never-ending battle," said Czarnecki. "Once you let your guard down, the number of missing shareholders just multiplies." ■

SEC Nominee Endorses Proxy Oversight

WASHINGTON (AP-DJ) — Steven Wallman, whose nomination as a commissioner of the Securities and Exchange Commission was expected to be approved Tuesday by the Senate Banking Committee, spoke on the issue of shareholder communications in hearings before the panel earlier this week.

He said it is proper for the SEC to continue to review proxy regulation to see if "further action should be taken to enhance share-

holder communications between shareholders and managers."

Wallman also reiterated his view that corporation directors should be required to put the best interests of a company before their own.

Wallman, whose nomination was being considered by the panel along with that of Federal Reserve Board nominee Alan Blinder, also must be approved by the full Senate. Both nominations are expected to pass easily. ■

NOTICE OF PARTIAL REDEMPTION To Certain Holders of

City of Kalamazoo, Michigan Hospital Finance Authority

Hospital Facility First Mortgage Revenue Bonds (Borgess Hospital) — Series B
Dated: November 1, 1976, CUSIP No. 483233AU6

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Mortgage and Indenture of Trust, City of Kalamazoo Hospital Finance Authority and American National Bank and Trust Company of Michigan, Trustee, dated as of January 1, 1976 (the "Mortgage and Indenture of Trust"), the City of Kalamazoo Hospital Finance Authority will redeem on July 1, 1994 (the "Redemption Date") Hospital Facility First Mortgage Revenue Bonds (Borgess Hospital) Series B, dated January 1, 1976 (the "Bonds") at 100% of the principal amount thereof together with accrued interest to the Redemption Date having the certificate number listed below.

715	716	720	724	730	731	737	741	747	749
756	757	762	763	764	765	776	780	785	789
796	799	800	806	812	825	835	838	839	840
841	843	846	850	857	859	861	864	865	877
897	908	912	934	938	973	992	1001	1004	
1005	1010	1014	1017	1018	1022	1024	1025	1038	1054
1057	1068	1071	1080	1081	1094	1096	1102	1110	1114
1116	1129	1131	1132	1133	1135	1137	1145	1148	1149
1160	1166	1179	1186	1195	1198	1213	1214	1228	1239
1242	1244	1250	1253	1262	1272	1280	1283		

Holders of these Bonds must surrender such Bonds, together with the interest coupons maturing July 1, 1994 and all interest coupons maturing subsequent to July 1, 1994 attached, for redemption at the address listed below or in person:

Corporate Trust Operations
Old Kent Bank & Trust Company
111 Lyon NW
Grand Rapids MI 49503

Interest on the Bonds will cease to accrue on the Redemption Date, and the holders of any such bonds will not be entitled to any benefits under the Mortgage and Indenture of Trust (except to receive payments of the redemption price) on or after the Redemption Date.

NOTICE

Withholding of 31% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Compliance Act of 1983 unless the Paying Agent has the correct taxpayer identification (social security or employer identification number) of the Payee. Please furnish a properly completed Form W-9 when presenting your securities.



By: Old Kent Bank & Trust Company (Successor
to American National Bank and Trust
Company of Michigan), Trustee

Dated at Grand Rapids, Michigan this 25th day of May, 1994.

NOTICE OF PARTIAL REDEMPTION To Certain Holders of

City of Kalamazoo, Michigan Hospital Finance Authority

Hospital Facility First Mortgage Revenue Bonds
(Borgess Hospital) — Series A
Dated: January 1, 1976, CUSIP No. 483233AM4

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Mortgage and Indenture of Trust, City of Kalamazoo Hospital Finance Authority and American National Bank and Trust Company of Michigan, Trustee, dated as of January 1, 1976 (the "Mortgage and Indenture of Trust"), the City of Kalamazoo Hospital Finance Authority will redeem on July 1, 1994 (the "Redemption Date") Hospital Facility First Mortgage Revenue Bonds (Borgess Hospital) Series A, dated January 1, 1976 (the "Bonds") at 100% of the principal amount thereof together with accrued interest to the Redemption Date having the certificate number listed below.

874	884	888	895	908	923	933	942	955	964
968	971	977	1025	1028	1034	1035	1036	1046	1049
1079	1099	1111	1121	1128	1129	1131	1140	1155	1172
1212	1215	1221	1223	1226	1230	1248	1269	1276	1280
1333	1336	1339	1346	1349	1354	1357	1382	1389	1400
1401	1404	1408	1409	1411	1420	1440	1447	1448	1456
1463	1467	1481	1494	1510	1512	1516	1520	1521	1535
1538	1555	1560	1561	1575	1580	1589	1591	1604	1611
1612	1620	1623	1637	1651	1660	1663	1670	1672	1678
1682	1717	1723	1772	1773	1775	1781	1810	1815	1819
1839	1842	1849	1850	1859	1869	1872	1878	1886	1899
1900	1906	1924	1925	1933	1949	1950	1961	1967	1968
1975	1984	2018	2030	2049	2052	2061	2067	2088	2075
2084	2095	2097	2100	2102	2126	2141	2146	2147	2168
2169	2171	2175	2188	2190	2198	2204	2212	2215	2216
2219	2223	2225	2229	2230	2234	2235	2240	2241	2248
2260	2262	2273	2287	2295	2297	2298	2301	2303	2311
2314	2321	2324	2329						

Holders of these Bonds must surrender such Bonds, together with the interest coupons maturing July 1, 1994 and all interest coupons maturing subsequent to July 1, 1994 attached, for redemption at the address listed below or in person:

Corporate Trust Operations
Old Kent Bank & Trust Company
111 Lyon NW
Grand Rapids MI 49503

Interest on the Bonds will cease to accrue on the Redemption Date, and the holders of any such bonds will not be entitled to any benefits under the Mortgage and Indenture of Trust (except to receive payments of the redemption price) on or after the Redemption Date.

NOTICE

Withholding of 31% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Compliance Act of 1983 unless the Paying Agent has the correct taxpayer identification (social security or employer identification number) of the Payee. Please furnish a properly completed Form W-9 when presenting your securities.



By: Old Kent Bank & Trust Company (Successor
to American National Bank and Trust
Company of Michigan), Trustee

Dated at Grand Rapids, Michigan this 25th day of May, 1994.

SECURITIES

Transfer Agents Move to Stave Off SEC Action on 'Lost' Shareholders

By Chris Kentouris

NEW YORK — In an effort to head off intervention into their business from the Securities and Exchange Commission, a group of stock transfer agents is scurrying to develop operating guidelines for tracking down "lost shareholders."

The issue of how intensively transfer agents seek out the rightful owners of assets sitting in custody at banks and securities firms has come under scrutiny in the past year from a panel of the House Small Business Committee, which, in turn, has put pressure on the SEC.

A one-page list of proposed guidelines began circulating in the stock transfer industry last week outlining eight "unclaimed property" proposals that agents consider adopting as Securities Transfer Association rules. It was prefaced with a note saying that Michael Foley, head of stock transfer at First Chicago Trust Co. and president of the STA, "is concerned that the SEC will impose regulations

on our industry if we don't act fast."

The note, written by Phil Alfieri, a vice president at First Chicago, asked members of the STA's operations committee to offer their comments by Aug. 19. If no comments are received, it said, all STA members will be notified "that these guidelines will be enacted in our rules book."

Early Actions

Foley could not be reached for comment on Friday.

The proposals themselves do not dramatically alter standard practice for conducting unclaimed property searches. However, two

(Continued on page 3)

SIA Group Recommends Three-Day Settlement for Firm Commitment IPOs

By John A. Byrne

NEW YORK — Members of a Securities Industry Association committee agreed late last week to ask the Securities and Exchange Commission to consider a three-day settlement schedule for firm commitment underwritings.

SIA's clearance and settlement committee, which met Thursday, said the SEC's current exemption for firm-commitment underwritings — one of the few cases where five-day, rather than three-day, settlement would prevail after June 1995 — would be extremely disruptive.

"Five-day settlement of these trades, when everything else is done on a three-day cycle, would lead to a bifurcated settlement system, where

deliveries of securities could be a problem," said one of the participants at the meeting.

The committee believes uniformity in settlement should have a higher priority than timely prospectus delivery — which was the reason the SEC allowed an exemption for firm commitment underwritings.

Instead of the current practice in which firms send a trade confirmation and a prospectus together as soon after the trade as possible, the

(Continued on page 4)

Some Big Dollar Transfers Leaving Fedwire to Avoid Overdraft Charges

By Kenneth S. Levine

NEW YORK — In addition to reducing risk in the payment system, the Federal Reserve's imposition of daylight overdraft charges in April may have accomplished something else: it has pushed some large fund transfers off the Fedwire, according to bankers and deal-

ers who account for most Fedwire transactions.

Overdraft charges, designed to eliminate systemic risk by discouraging banks from overdrawing their Fed accounts, clearly have worked. Peak intraday overdrafts have fallen from a peak of almost \$120 billion before the charges began to about \$70 billion a day currently.

This reduction has been

achieved, say funding managers, repo traders, and operations officials, because users have tightened operations, lined up funding earlier in the day for securities inventories, and managed funding levels with a sharper eye.

At the same time, participants note that customers are starting to change payment patterns in order to keep money off the Fedwire and escape its charges. And the trend is raising a fundamental question: Has risk actually been reduced or merely reshuffled?

"I think most firms are trying to do more financings away from the Fed," said William Johnson, senior vice president of capital

(Continued on page 8)

Dingell, Markey Ask Regulators About Anti-Tying Probe

WASHINGTON (AP-DJ) — Two key congressmen asked the Federal Reserve and Comptroller of the Currency to report whether they have begun an investigation of NationsBank for possible anti-tying abuses.

House Energy and Commerce Committee Chairman John Dingell (D-MI) and Rep. Edward Markey (D-MA) cited a press report and a letter in their possession from NationsBank to a potential client purporting to outline certain "parameters" required for the bank to issue a letter of credit.

Among the "parameters" mentioned in the letter, according to the congressmen, was giving NationsBank "the placement business for the marketing" of the underlying securities, since the bank "would not be in a posi-

(Continued on page 4)

Today's News

Goldman to Syndicate Loans

...Page 2

MSRB's New Board Members

...Page 3

Calendar of Events

...Page 5

Transfer Agents Move to Stave Off SEC Action on 'Lost' Shareholders

(Continued from page 1)

planned rules — requiring an "active methodology" for conducting searches, such as use of an electronic database, and a written policy establishing lost-opportunity "compensation to securityholders" who are not paid on a timely basis — could prove difficult for some small transfer agents, industry observers said.

Proposals

The proposed rules are as follows:

- Assets will be established as undeliverable after "two quarters of returned documents and remails";
- If a dividend check in a previously inactive account is cashed or other "activities [are] created against an undeliverable account," agents must send a notice advising shareholders to contact them "because property may be due them";
- Agents must send a yearly notice to all undeliverable accounts "advising them that the property may be escheated [returned to a state government] if they don't get in touch with their transfer agent";
- Another yearly notice must be sent to "all securityholders who have not negotiated their dividend or interest checks," informing them

that their funds are in danger of being escheated;

- Agents should seek appropriate documentation before releasing information that an account has been deemed "undeliverable";
- Agents must reject requests to establish new accounts that do not contain "complete address information";
- Agents "should have available at least one active search methodology (electronic database, IRS program, etc.) to obtain a better address for undeliverable accounts and advise and urge issuers to take this active method";

Agents should establish a written policy between themselves and issuers "establishing guidelines dealing with compensation to securityholders of funds not paid on a timely basis. It is suggested that the failure by the issuer or agent to make a payment available would be cause for compensation."

Alfieri pointed out that the STA has no enforcement powers, but is eager to avoid action from the SEC that "may not conform with what we need as an industry or be too restrictive." But he cautioned that the recommendations put out for comment are still being developed.

The two most controversial propo-

sals are likely to raise concern in some transfer agent circles. Though the business is dominated by big banks that can afford to develop sophisticated search programs or buy them from vendors, many smaller agents would find it difficult to develop "active search methodologies," several industry experts said.

The decision to recommend compensating newly found shareholders for lost-opportunity costs during the period of missed dividends and other corporate actions, also is significant. In earlier correspondence between the STA and the SEC, the agents contended that shareholders were not entitled to extra compensation for delayed payments.

SEC Response

Brandon Becker, the director of the SEC's Division of Market Regulation, said in a phone interview last week that the SEC was reviewing all of its options but did not indicate whether it was close to action on rulemaking proposals regarding escheatment.

"We have not made a decision at this point," he said.

Some stock transfer agents said the SEC staff may have encouraged the STA to quickly submit proposals to help the regulator define its plans.

Congressional and regulatory interest in allegedly lax practices by

stock transfer agents was stimulated by a one-man lobbying effort from Robert Shamansky, a Columbus, Ohio attorney and former congressman, who claims that he lost money for several years because of being erroneously listed as a missing shareholder.

Five Percent or Three?

Shamansky has suggested that close to 5% of all shareholders in the U.S. have been designated "missing." The transfer agent industry, including those who work directly for corporations as well as for banks and brokerage firms, said the figure is less than 2%.

One of Shamansky's chief efforts is aimed at requiring transfer agents to compensate shareholders who do not get their due funds in time. He has argued that the agents have an economic interest in not tracking down lost shareholders because they make money on float — a point hotly contested by the agents themselves.

Transfer agents, as holders of unclaimed securities accounts, are responsible for escheating "lost assets" to state governments if the owner of an account does not claim it within a certain period. The states, for whom the funds represent a financial bonanza, are likely to themselves oppose any direct SEC intervention into escheatment policy, some observers said. ■

MSRB Picks Five New Members For Three-Year Terms

WASHINGTON (AP-DJ) — The Municipal Securities Rulemaking Board picked five new members to serve three-year terms beginning Oct. 1.

Selected were Aimee Brown of Artemis Capital Group Inc.; Roger Hayes of NationsBank Capital Markets Inc.; John McCune of Norwest Investment Services Inc.; Charles Mires of Allstate Insurance Co.; and Robert Vanosky of Rauscher Pierce Refsnes, Inc.

Fifteen Members

The MSRB is a self-regulation body subject to Securities and Exchange Commission Oversight. It is composed of 15 members: five representing securities firms, five representing bank dealers and five representing the public. At least one public member must be representative of issuers and one of investors.

Brown is a founding principal of Artemis, a national, women-owned investment banking firm specializing in municipal finance. She heads the firm's San Francisco office and co-manages its investment banking business nationwide.

Hayes is a managing director at NationsBank, with 22 years of experience in the municipal finance business.

McCune is president of Norwest Investment Services and has 17 years of experience in the muni business.

Mires is manager of the municipal bond division of Allstate Insurance.

Vanosky is executive vice president and co-manager of the fixed-income department at Rauscher Pierce Refsnes, the Dallas-based broker-dealer unit of Inter-Regional Financial Group, Inc. ■

NOTICE OF OPTIONAL FULL REDEMPTION TO THE HOLDERS OF

Vermont Educational & Health Buildings Finance Agency

Fanny Allen Hospital Subordinated Revenue Bonds 1976 Issue

7.25% Due September 1, 2001

CUSIP No. 924160 QE7

NOTICE IS HEREBY GIVEN, in accordance with Article III of the Bond Resolution dated August 18, 1976 between Vermont Educational and Health Buildings Finance Agency and Chittenden Trust Company, as Trustee, that the Bonds, representing \$1,045,000 aggregate principal amount, will be redeemed on September 15, 1994 at a redemption price equal to the principal amount thereof together with interest accrued to the redemption date.

Interest will cease to accrue on and after September 15, 1994. Coupons due on September 1, 1994 should be surrendered in the usual manner.

The Bonds, along with coupons due on and after March 1, 1995 attached, should be surrendered at the principal office of the Trustee, Chittenden Trust Company.

Mailing Address:

Chittenden Trust Company
Attn: Trust Operations
P.O. Box 820
Burlington, VT 05401-0820

Hand Delivery:

Chittenden Trust Company
Trust Operations 3rd Floor
Two Burlington Square
Burlington, VT 05401

Under the provisions of federal income tax law, all holders presenting their Bonds for redemption must submit an IRS Form W-9 (Certificate of Taxpayer Identification Number) in order to avoid 31% backup withholding required under the law.

The Trustee shall not be responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness indicated in the Redemption Notice or on any bond. It is included solely for convenience of the Holders.

Chittenden Trust Company, Trustee

Dated this 15th day of August, 1994.

SECURITIES

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Cedel to Form Links to Latin American Markets

By Chris Kentouris

NEW YORK — Cedel said Thursday that it will extend an arm into Latin America, accepting Mexican and Argentine debt and equity securities as well as Uruguayan debt securities.

A spokesman for the Luxembourg-based international depository said that links to local agent banks in those countries will be live in early April.

Cedel and rival Euroclear act as an electronic bookkeepers for their users' accounts but depend on local depository banks to interact with the depositories in each country to facilitate delivery-versus-payment settlement.

In Mexico and Argentina, Cedel has picked Citibank as its local depository while in Uruguay it selected the First National Bank of Boston.

Cedel is following in the footsteps of its chief rival, Euroclear, which established its foothold in Latin America in 1993 by accepting Argentine debt securities. The Brussels-based depository began accept-

(Continued on page 6)

Transfer Agents to Adopt Rules for Returning Assets

By Chris Kentouris

NEW YORK — Seeking to fend off possible federal regulation, the Securities Transfer Association has come out with suggested procedures for its members to follow in returning assets to "lost" shareholders.

As previously reported, the STA last year circulated a list of proposed "unclaimed property" guidelines to members of its operations committee and its regional affiliates, asking for quick comment so that permanent guidelines could be adopted for its rulebook. The group had been concerned that the SEC would impose regulations on the industry if it didn't act fast.

The final guidelines, expected to be approved by the STA's board of directors later this month, were drafted by



Michael Foley

the STA's operations committee with the assistance of STA counsel Robert Appel of the New York law firm of Christy and Viner. Appel declined to

specifically comment on the proposed guidelines, which were published in the Midwest Securities Transfer Association's Winter newsletter.

(Continued on page 3)

Lesson from Barings: Front/Back Office Gap Must Be Narrowed

LONDON (AP-DJ) — Some of London's futures brokerage and trading companies say the pressure in the U.K. to segregate the settlement operations from the trading functions in small trading companies may not be rigorous enough.

The apparent freedom Barings PLC trader Nicholas Leeson had in taking the positions that eventually broke the bank has shown the importance of internal controls for companies trading in the futures markets. Reports suggest Leeson was able to cover up his positions in the documentation process, and that he was left unsupervised by any compliance officer in his Singapore office because of feuding within the Barings management.

(Continued on page 8)

Brokers Scramble to Meet ACATS-Fund/SERV Deadline

By Ivan Cintrón

NEW YORK — While large brokerage firms are prepared to meet today's deadline for using the electronic interface between the Automated Customer Account Transfer Service and Fund/SERV, several hundred are not yet ready, according to officials of the National Securities Clearing Corp.

The mandate to use the interface is contained in a new rule proposed by the New York Stock Exchange and approved last year by the Securities and Exchange Commission.

The NSCC interface permits mutual funds to electronically update their records when a fund customer's account is transferred from one broker to another. Without the interface, brokers have to mail the information to the fund complexes — a process dubbed "physical envelope delivery" — slow-

(Continued on page 2)

How Do You Denote the Year After 1999?

Securities Firms Face Millennial Glitch

By Tom Groenfeldt

NEW YORK — When the ball drops over Times Square on New Year's Eve 1999, revelers will be celebrating the arrival of a new century and a new millennium. A few miles south, Wall Street computer experts will be praying that the arrival of the year 2000 does not paralyze the securities industry's electronic infrastructure.

"Some companies are going to wake up on Jan. 1, 2000, and find their systems will not work," said Kevin Schick, research director at the Gartner Group, the Westport, Conn.-based consultancy. "They will basically be without a computer system, and I have to believe that will result in the failure

of those companies."

The problem is simple: Twenty or 30 years ago, when most mainframe systems now in use were developed, the field designating the year was set at two digits in most programs to cut data storage. If 00 is entered for the year, most programs aren't going to recognize the entry as valid. Worse yet, date fields are usually scattered systemwide, and often are hard to find.

If the problem is easy to understand, the solution isn't.

At Edward D. Jones & Co. in St. Louis, the information technology (IT) staff has been working away at the Year 2000 issue for at

(Continued on page 4)

INSIDE

Mitsubishi Promotes Galvin

...Page 2

Merrill Appointments

...Page 2

Levitt on Derivatives

...Page 5

Transfer Agents to Adopt Self-Designed Rules for Returning Assets

(Continued from page 1)

Michael Foley, a vice president of First Chicago Trust Co. of New York and an STA board member, said he did not expect any opposition to the guidelines. Only "minor language changes" would be made by the board, he predicted.

Under state statutes, stock transfer agents and other holders of unclaimed securities accounts, such as banks and issuers, must return the unclaimed accounts after designated periods to the state of last known address of the investor. Accounts often become unclaimed when an owner changes address or when a corporation or transfer agent makes an address error.

Big Numbers

States, meanwhile, enjoy the benefits of escheated funds, which can be used for general purposes until their rightful owners appear. Although states are required to find missing shareholders, they return less than 30% of escheated assets on average, according to industry figures.

A Congressional subcommittee in the summer of 1993 accused trans-

fer agents, companies and states of being lax in tracking down shareholders who do not claim their dividend, interest or other securities payments. The subcommittee cited a figure of \$10 billion of unclaimed securities accounts collecting interest of \$500 million a year.

As with previous proposed regulations, the new guidelines begin with an attempt to head off the problem of lost shareholders at the source. "New security owner accounts should not be opened without the complete recording of address information," it begins.

Foley, who initiated the STA's attempts at devising the lost shareholder guidelines, said exceptions to the "complete address" rule could be made if the transfer agent is rushing to register a shareholder in time to qualify for a corporate action, such as an exchange offer or dividend payment.

The guidelines also suggest that agents employ an active search methodology to help track down holders of undeliverable accounts, though they do not specify computerized means, as in some draft versions. The methodology is to be used once an account is labeled

"undeliverable," a classification that begins after two first-class mailings to the security holder are returned to the transfer agent from the post office.

In the event mailings are not returned, but distributions are not cashed or bonds are not tendered during a redemption or at maturity, the STA suggests that a notice be sent to the investor within one year of the event. That guideline conforms to current practice.

Reimbursement Policy

The guidelines also suggest that issuers and transfer agents establish written policies for reimbursing shareholders with some form of additional compensation if an error or oversight is traced to the issuer or its transfer agent.

The STA's proposed guidelines appear to parallel those released by the Corporate Transfer Agent's Association last December, except for the issue of compensation, which is not touched in the CTA proposal. The STA represents commercial transfer agents, primarily from large banks; the CTA represents issuers conducting their own trans-

fer agent work.

At least one transfer agent critic contends that the proposed guidelines do not go far enough.

Robert Shamansky, a Columbus, Ohio attorney whose lobbying efforts first triggered Congressional investigation into the lost shareholder issue, called the STA guidelines a step in the right direction. But he took issue with why investors need to prove error on the part of the issuer or transfer agent before receiving additional compensation.

"Transfer agents and issuers are unduly enriching themselves on the interest from unclaimed accounts. That money belongs to the shareholders," he said.

Foley said Shamansky overstates the case.

"The costs of maintaining the lost shareholder accounts far outweigh any interest that transfer agents and their issuers might be earning," he countered.

Even if the SEC decides to come up with mandated rules, Foley said he did not expect them to widely differ from the STA's.

SEC officials could not be reached for comment. ■

Selected CUSIP assignments through 3:30 PM, March 2, 1995

Transmitted 7:30 PM on 03/01/1995

AT&T CORP
ALABAMA ST INDL DEV AUTH REV
BARNETT BK INC DISC COML PAPER
BROADWAY QTY FLA GAS TAX REV
CHA INCOME PARTNERSHIP
CALIFORNIA ST PUB WKS BRD
CHARLESTON ARK SCH DIST NO 9
CILLUFFO ASSOC L P
CONTINGENTAGE HOME EQUITY LN
EUROPEAN AMERN BK-UNIONDALE NY
FULTON QTY GA DEV AUTH INDL
HIBERNIA SVGS BK QUINCY MASS
HOLMA-TERREBONNE PUB TR FING
IDS BO FD INC
IDS CALIF TAX EXEMPT TR
IDS EQUITY SELECT FD INC
IDS FED INCOME FD INC
IDS DISCOVERY FD INC
IDS EXTRA INCOME FD INC
IDS GLOBAL SER INC
IDS GROWTH FD INC
IDS MKT ADVANTAGE SER INC
IDS INTL FD INC
IDS HIGH YIELD TAX EXEMPT FD
IDS INVT SER INC
IDS MONEY MKT SER INC

Transmitted 12:30 PM on 03/02/1995

ALPINE UTAH SCH DIST
BLOOMINGDALE N J
CABRILLO SVGS & LN ASSN CALIF
CALIFORNIA ST PUB WKS BRD
CANASTOTA N Y COME SCH DIST
CASTAIC LN SCH DIST CALIF
CHATHAM BORO N J
CLAY QTY FLA HSG FIN AUTH REV
CONTINENTAL PAC BK VACAVILLE
CREEK QTY OKLA INDRPT SCH DIST
DE KOLB KANE & KENDALL QNTYS
DUROCHROME PRODS INC
EMPIRE BOWL INC
FAYETTE QTY BANKSHARES INC
FRIEND NEB PUB SCHS
HOPKINS MO MTRNKS & SDN SYS
HORN LAKE MISS
IOTA LA UTILS REV
IOWA FIN AUTH INDL DEV REV
KING QTY WASH SCH DIST NO 415
MADISON MISS LEASED HSG CORP
MINNESOTA ST HSG FIN AGY
NEBRASKA PUB PWR DIST REV
NEW HAMPSHIRE ST TPK SYS REV
PETTIS QTY MO REORG SCH DIST
PLANTERSVILLE MISS

- more -

Transmitted 3:30 PM on 03/02/1995

ABAG FIN AUTH FOR NONPROFIT
ALBUQUERQUE N MEX MET ARROYO
ALSEA RURAL FIRE PROT DIST
APPLE VALLEY MINN
AUSTIN TEX UTIL SYS REV
BENEDICK BROADCASTING CORP
BEVERLY MASS
BRIARWICK TEX IMPT DIST
BRINKLEY ARK SALES & USE TAX
BURLINGTON TWP N J
CHARLES TOWN W VA WTR REV
CLERMONT QTY OHIO HSGP FACE
COMMUNITY UTD METHODIST CHURCH
COOK QTY ILL SCH DIST NO 130
DADE QTY FLA
DANRA BUSINESS SYS PLC
ENTERPRISE ALA
EXPLORATION TECHNOLOGY INC
FARMERS MUT TEL CO
FEDERAL HOME LN MTG CORP
FIRST NATL BK CENTERVILLE TENN
FIRST SOUTHERN BAPTIST CHURCH
FOXBOROUGH MASS
FREEDOM NATL BK NEW YORK N Y
GAINESVILLE GA REDEV AUTH REV
HAVANA ILL INDL DEV REV

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CORPORATE OFFICES

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CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER



February 27, 1995

Mr. Robert N. Shamansky
Benesch, Friedlander, Coplan & Aronoff
Attorneys at Law
88 East Broad Street
Columbus, OH 43215-3506

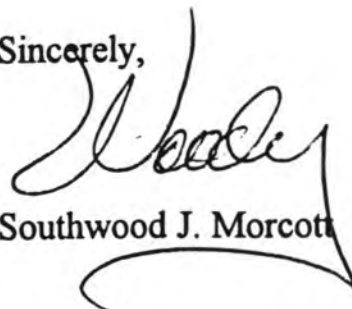
Dear Bob:

Thanks very much for the additional detail regarding your long fight for the little guy. Also, thanks for your kind comments. I'm happy to know that you do, from time to time, bump into friends of mine in Columbus. I guess it really is a pretty small state.

It is very nice to have the additional information which you supplied. At the moment, I'm actually dictating this letter from an airplane so I have not had an opportunity to talk to Jim Ayers or Gutte Carr about your additional recommendations. On the surface, however, I agree with you that having a computer reference file to check would help us track down lost shareholders. This seems to be the least we could do and could probably be accomplished at a very minimal cost. We definitely will look into this. After discussing with our people, I'm sure I will have a better idea about your other thoughts in a day or two. I will keep you posted on how we proceed on this. In the meantime, I sleep a little better knowing that you are not totally unimpressed with the way Dana is handling this matter.

Best personal regards.

Sincerely,



Southwood J. Morcott

SJM:fl

MFS

MASSACHUSETTS FINANCIAL SERVICES COMPANY

500 BOYLSTON STREET · BOSTON · MASSACHUSETTS 02116
617 · 954-5000

March 15, 1995

Mr. Robert Shamansky
88 East Broad St.
Columbus, OH 43215-3506

Reference:

Mass Investors Growth Stock Fund
13-8788710478
Robert N. Shamansky

Dear Mr. Shamansky:

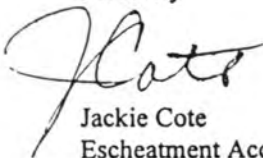
A recent review of our records indicates there are check(s) that has remained uncashed in the above referenced account for a significant period of time. MFS is required by state law to turn over the property in this account to the state of your last known address if we do not hear from you.

To claim this money please complete the bottom portion of this letter and return the letter in the enclosed envelope as soon as possible.

If you want the proceeds sent to an address other than that listed on the account, your signature must be guaranteed by an officer of an eligible guarantor institution. We will contact you if any additional paperwork is necessary.

Thank you for your cooperation in this matter. If you have any questions regarding this information please contact our Mutual Funds Service Department at 1-800-225-2606 any business day between 8 a.m. and 8 p.m. Eastern time.

Sincerely



Jackie Cote
Escheatment Accountant

Shareholder Signature

Signature guaranteed by Authorized
Signature (affix stamp below)

Address if different from one above

EXHIBIT

5

ALL-STATE® INTERNATIONAL

Writer's Direct Dial Number
(614) 223-9326

March 24, 1995

Mr. Keith Brodtkin
Chairman and Chief Executive Officer
Massachusetts Financial Services Company
500 Boylston Street
Boston, Massachusetts 02116

Dear Mr. Brodtkin:

I first want to congratulate MFS on the intelligence, courteousness, and professionalism exhibited by Ms. Jackie Cote, Escheatment Accountant; Ms. Lee Anne Keady, Teleservices; and last, but not least, the young gentleman who answered the 800 number shown in the enclosed copy of the MFS letter dated March 15, 1995.

My primary purpose in writing you is to ask you to initiate a study into revising the practices of MFS with respect to how MFS handles undelivered dividends, i.e., returned dividend checks, and uncashed but unreturned dividend checks. My case illustrates an important problem facing the securities transfer industry. It is this problem which has caused the SEC to prepare new interpretations of its rules and regulations covering these matters.

My case is typical as follows:

1. I received a letter dated March 15, 1995 from MFS informing me that there is a check from MFS, which I have not cashed. The letter was sent to comply with the escheatment laws of Ohio and was addressed to me at the same address that all other MFS communications have reached me.
2. I called the 800 number and learned that a \$65.58 Massachusetts Investors Growth Stock Fund Dividend Check dated October 11, 1989 payable to me had not been cashed.
3. Because of my expertise in this field, I asked why I had not received notice of this in the subsequent five years in the steady stream of checks (all cashed), Forms 1099, e.g., 1994, a copy of which is herewith enclosed, and other communications sent me by MFS. In other words, why did not MFS use my perfectly good address

Mr. Keith Brodtkin
March 24, 1995
Page 2

at all times on its books to send me such a notice? Because MFS may have erred in sending the check or the U. S. Postal Service may have erred in the delivery process, I may never have received the check. Given my habit of cashing all checks I receive from whatever source, it is unlikely that I ever received the check.

4. Because of the failure of MFS to send me a timely notice of this uncashed check, I have not had the use of my money, while MFS has had the use of my money. Therefore, I asked for and am asking again for interest on my \$65.58 from October, 1989 to March, 1995. (Please understand that there is absolutely no basis for any assertion that I received the check and then failed to cash it. On the contrary, MFS records show that it had my correct address at all times, but took five years to notify me of the October, 1989 check.)

As you can see from the enclosed copy of the full page editorial from the January, 1994 issued of Money magazine, this is a problem for shareholders and bondholders which can no longer be ignored by issuers and transfer agents. In fact, on Friday, March 17, 1995 I met with the AARP at its headquarters in Washington to discuss our cooperating on a program of initiating changes needed in current practices, especially because older people are disproportionately the victims of so-called "lost" dividends, etc.

At this point I must assure you that I am only talking about using current cheap and readily available computer data bases to locate valid addresses of MFS shareholders in a timely fashion when a check has not been cashed within a reasonable time or a dividend check has been returned as undeliverable. (It is cheaper to refer to the data base than it is to keep on mailing to addresses already known to be bad.)

I am perfectly willing to volunteer my knowledge in this field to MFS if it wishes to reexamine its procedures. (I have done the same with the Dana Corporation, whose CEO is my friend Woody Morcutt.) I have been a shareholder of the Massachusetts Investors Growth Stock Fund since I inherited shares from my late aunt who had been a shareholder for many years. (My mother's trust, of which I am one of the co-trustees, also continues to have a holding.)

I sincerely hope that you will at least have MFS personnel look into how MFS can better serve its shareholders given the current technology. Such a reexamination will have to be done in any event, because these practices have been under discussion in the securities transfer

Mr. Keith Brodtkin
March 24, 1995
Page 3

industry as well as at the SEC for more than two years. I am confident that MFS will be pleased when it learns how it can economically improve its ability to hasten the time MFS shareholders receive their MFS dividends.

Very truly yours,

Robert N. Shamansky

RNS:gsm

Encls.

MFS

MFS SERVICE CENTER, INC.

500 BOYLSTON STREET · BOSTON · MASSACHUSETTS 02116
617 · 954-5000

JANET A. CLIFFORD
Senior Vice President

April 6, 1995

Mr. Robert N. Shamansky
Benesch, Friedlander Coplan & Aranoff
88 East Broad Street
Columbus, OH 43215-3506

Dear Mr. Shamansky:

Mr. Brodtkin has asked that I review your recent correspondence concerning an outstanding dividend check issued by Massachusetts Investors Growth Stock Fund in October of 1989. I regret that I cannot honor your request for interest on the amount of the check, as it is not our practice to compensate individuals for interest on uncashed checks, as specified in the Fund's prospectus.

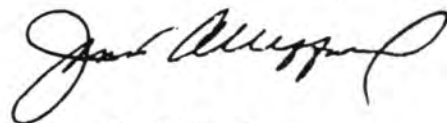
With all due respect to yourself and Money Magazine, I must disagree with your assessments of Transfer Agent practices as relates to lost shareholders of mutual funds in general, and the MFS Funds specifically.

First, when a check is returned by the post office, we re-mail only once in a specially marked envelope. If it is returned a second time, we compare it against a database offered by an outside vendor, (Trans Union Corporation) which may or may not provide us with a more current address. If no new address is found, the distribution options on the account are changed to "reinvest" in accordance with the terms of our prospectus, and the returned check is invested in the account to purchase additional shares at the then current price. Future dividends and other distributions will be automatically invested. This policy was adopted in 1994; prior to that, a stop mail was placed on the account so that no further checks would be mailed, as this would subject the funds to an unnecessary expense. However, during the time these checks remain outstanding in the fund's dividend disbursement account, it is the fund itself and all its shareholders, not the Transfer Agent, who benefits. Interest accruals on unclaimed or outstanding checks accrue to the benefit of the fund and are used to offset other expenses.

Checks remaining outstanding for accounts which are not actually "lost", such as your case, present another problem for the transfer agent. Generally, the dollar amounts are small, and the postage expense and personnel costs needed to do periodic mailings cannot necessarily be justified as fund expenses, nor should they be considered a transfer agent expense. You may be aware that the Investment Company Institute, a trade organization representing our industry, has been exploring the issue with the Securities and Exchange Commission, and their findings would indicate that our policies and procedures are consistent with most other Mutual Fund Transfer Agents. Nonetheless, we are exploring alternatives to mass mailings on an annual basis for individual outstanding checks, which may involve an additional database review for checks over a certain dollar amount each year until escheatment becomes necessary. It is not in the best interests of the fund or the transfer agent to escheat to the state, as the accounting and recordkeeping are costly, and our reputation as a service organization is certainly not enhanced in the eyes of our shareholders.

I appreciate your position in this matter, and hope that you can understand ours as well. Please feel free to contact me directly if you would like to discuss this matter further.

Sincerely,

A handwritten signature in black ink, appearing to read "Janet A. Clifford". The signature is fluid and cursive, with the first name "Janet" being more prominent.

Janet A. Clifford

**BENESCH
FRIEDLANDER
COPLAN
& ARONOFF**
ATTORNEYS AT LAW

88 East Broad Street
Columbus, Ohio 43215-3506
(614) 223-9300
Fax (614) 223-9330

Writer's Direct Dial Number
(614) 223-9326

April 14, 1995

Ms. Janet A. Clifford
Senior Vice President
MFS Service Center, Inc.
500 Boylston Street
Boston, Massachusetts 02116

Dear Ms. Clifford:

This is to acknowledge receipt of your letter of April 6 and is also my response to the issues raised by that letter.

I will first reiterate my demand that I receive interest on my \$65.58 from October 11, 1989, which MFS retained without proper notification to me or authorization from me. My reasons are as follows:

1. I never received any such check.
2. MFS is in no position to assume or claim that I did receive that check.
3. The special printed endorsement on the back of the \$65.58 MFS check states explicitly - as I remember - that I did not receive any such check. When I signed the check, I acknowledged the correctness of the special endorsement put there by MFS that I had not received the check.
4. The specifications in the MFS prospectus must refer to checks I may have received but chose not to cash. Neither MFS nor its subsidiary transfer agent, MFS Center, Inc., can prove I ever received such a check, which may have not been delivered or even been sent because of the negligence of MFS or its transfer agent as far as anybody can tell today.

Your description of what MFS does when a check is returned to it by the post office does not apply in my case, because no check was returned. Since I am very familiar with securities transfer agent practices, I can point out that had MFS checked with TransUnion in 1989 when my check was not cashed within a reasonable time, MFS could have contacted me immediately.

Ms. Janet A. Clifford
April 14, 1995
Page 2

However, MFS did not need to contact TransUnion or any other database, because it at all times had my correct address and was sending me correspondence, including checks which I cashed promptly, all during this past five and one-half years. This, I believe, constitutes negligence on the part of MFS and/or MFS Center, Inc.

On page two you discuss my situation where a check payable to me on your books was not cashed. There would have been no additional cost of "postage expense and personnel cost", because MFS was sending me correspondence continuously. The problem was that MFS would not tell me for five and one-half years that it had my money even though it was telling me many other things during those years. In the meantime it was collecting interest on my money, which collections were made possible through its negligence in not notifying me.

With respect to your statement that "Generally, the dollar amounts are small....", I must point out that the \$65.58 may be small to MFS, but it may not be small to me or others. In any event MFS's judgment that my \$65.58 was too small to bother with was both unilateral and arbitrary, especially when MFS was in communication with me at all times thereafter. In other words, there was no additional "postage expense", and the "personnel" needed to tell me about my \$65.58 in MFS's possession was significantly less than what I lost by not having use of my money for five and one-half years. (Stock transfer agents use software programs to manage their business, and the additional unit cost to make the program fair is so small that any claim of cost due to my alleged behavior could simply not be justified in any economic analysis with which I am familiar.) A brief notice in a subsequent mailing to me from the transfer agent was the transfer agent's expense, because the transfer agent could not then, nor can it now, claim I received the check.

I note especially your careful choice of words that the Investment Company Institute "has been exploring the issue with the Securities and Exchange Commission, and their findings would indicate that our policies and procedures are consistent with most other Mutual Fund Transfer Agents." First of all, that is simply another way of saying that because other Mutual Fund Transfer Agents abuse their shareholders, MFS may do the same. Secondly, I have been meeting with the SEC personnel on this question and have been in correspondence with members of the Commission, and I would be very surprised if you mean to claim that the SEC has approved the practices to which you allude.

I am also familiar with the Security Transfer Association's ("STA") and the Corporate Transfer Association's ("CTA") past practices and the changes they are proposing for their members in how these matters should be handled in the future. The problems in the transfer industry being considered both on the Hill and at the SEC derive from the practices of the STA, CTA, and the Investment Company Institute members, which involve dividends and

Ms. Janet A. Clifford
April 14, 1995
Page 3

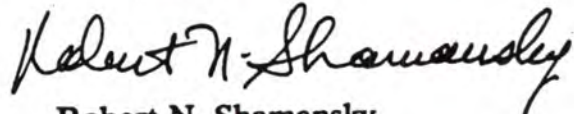
interest belonging to shareholders and bondholders and that do not belong to the issuer or their transfer agents. The securityholders suffer because the issuers and/or their transfer agents refuse to employ the same technology to locate "lost" securityholders that they use to collect from those who owe money to them or their parent organizations.

The MFS policy of reinvesting returned checks for - I assume - the shareholder's account adopted in 1994 points up the obvious inappropriateness of retaining the returned checks for the general benefit of the fund and not of the shareholder, which had been the previous practice of the MFS companies.

MFS and MFS Center, Inc. were negligent in the way they handled my dividends, i.e., the check I endorsed stated that I had never received the check. Therefore, my \$65.58 should have earned interest from October 11, 1989, because MFS et al., were negligent in not notifying me in subsequent mailings of the uncashed check on the MFS books.

I believe that our correspondence will prove informative and helpful to the Securities and Exchange Commission.

Very truly yours,


Robert N. Shamansky

RNS:gsm

cc: Securities and Exchange Commissioners
SEC Division of Market Regulation
Keith Brodtkin



Letting Wall St. Off Easy

By Herbert Stein

WASHINGTON
Several themes run through the Contract With America: promotion of free markets, objection to government regulation, concern for the middle class, strengthening of property rights. But when it comes to the passage on reforming securities law, the contract is oddly in conflict with those objectives.

Adam Smith, in the most famous sentence in economic literature, said that "it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest." It is significant that the examples Smith used all refer to daily purchases. If the baker puts sawdust in my bread I will know it immediately, I will not buy from him anymore and I will tell my friends not to buy from him anymore. So it is in his own interest not to put sawdust in the bread.

But suppose that I, a member of the middle class, am buying stock in a corporation with which I have no personal connection — hardly a daily transaction. How is it in the interest of the corporation's executives (and their accountants, lawyers and investment bankers) to make a diligent effort to tell me everything I ought to know?

How will my property rights be protected? If they are not, am I likely to know what has happened? Will I be able to distinguish between the inevitable vicissitudes of the

The Republican contract on investors.

market and inadequate performance of the people he relied on? If I find that I have been disserved, what difference will it make (as I probably wasn't going to have any more business with them anyway)? How will I tell other investors not to deal

with them? And by the time I do tell enough people, won't the executives, lawyers, accountants and investment bankers be sipping their Cuba libres in Costa Rica?

Still, it is essential to the efficient functioning of our economic system that the passive investor be willing to put his money in private enterprise. To give him confidence to do that, we rely on three forces: the trustworthiness of the people who manage the money, which is generally sufficient but, alas, not always; government regulation, which is expensive, ineffective and unnecessarily intrusive; and the power of the legal system.

Although the wronged investor can seek redress in the courts, he cannot, of course, do it by himself. So there is a market demand for people who can assemble the injured investors, perform the necessary research and pursue the claims in court. A supply of people — mainly lawyers — exists to meet this important demand.

But the Contract With America proposes to interfere with this market. Its creators intend to interpose a court-appointed trustee between the plaintiffs and their lawyers, and to limit the ability of lawyers to seek out cases of likely misfeasance and to organize suits to obtain redress.

The House Republican leadership also wants to limit court action to cases where deliberate intent to mislead or reckless disregard for the truth can be proved. This would let responsible parties off the hook for failure to exercise the diligence that the law requires of them.

The contract presents its suggestions as if the urgent problem is to protect corporations from middle-class investors' lawyers. True, frivolous lawsuits can be an unnecessary drain on the system. But a much more serious problem is assuring the middle-class investor that the people to whom he entrusts his money will look after his interest honestly and diligently. The possibility of recourse to the judicial system is integral to that assurance, and the proposals in the contract would weaken it.

In 1993 there were 238 class-action suits in securities cases. If America is being drowned in an ocean of litigiousness, this tiny number of suits is but a drop in the ocean.

In fact, some might say that the number of suits is so small that the whole thing does not make much difference either way. But what counts is not the number of suits but the amount of dishonesty and negligence that is prevented by the possibility of stockholder suits. And that could be a lot.

Herbert Stein, a senior fellow at the American Enterprise Institute, was chairman of the President's Council of Economic Advisers under Richard M. Nixon and Gerald R. Ford.

DIVIDENDS from 1H

Shamansky's hope to set up a national database to list unclaimed securities holders.

The most proactive organizations have been unclaimed fund divisions of Indiana and Illinois. Indiana has listed its database of unclaimed securities holders on the Internet; Illinois is using America Online for some of its list.

Most states' unclaimed funds divisions try to contact lost shareholders but can't reach them all.

In Ohio, there are 1.2 million individual accounts on the books, some for more than \$100,000 and 14,000 in excess of \$1,000 each. The unclaimed Banc One funds held by The Limited and listed by the state were for \$200 — not exactly a priority.

Stephen Olson, director of Indiana's Unclaimed Property Division, called the response "excellent" to putting the data on the Internet, the worldwide computer network linking 20 million users. One response even came from Ethiopia.

"Anyone can go to the library and access this information," he said. The fact that transfer companies haven't moved to do the same "is a mistake for their corporate clients."

Barnet D. Wolf is assistant business editor of The Dispatch.

EXTRA DIVIDENDS

Search for owners of unclaimed funds often lethargic

Banc One has branch offices all over Ohio and its headquarters is across the street from the Statehouse, but apparently state officials can't find the multibillion-dollar banking operation.

The name of the nation's eighth-largest bank holding company has shown up on the state's list of owners of unclaimed funds.

But Ohio is not alone. The Limited, which was holding the funds, couldn't find the banking company either, even though Leslie H. Wexner, the specialty retailer's chairman, had sat on Banc One's board of directors.

So imagine the problems The Limited or its transfer agent might have finding your old Aunt Erna if there is a mix-up in her new address and the company is attempting to send her new securities or dividend checks.

How big a problem is it?

The Securities and Exchange Commission estimates that one shareholder account out of 20 is "lost," in the parlance of the trade.

In addition, transfer agents — typically banks hired by companies to disburse stocks and dividends to shareholders — are holding some \$10 billion in securities accruing \$600 million a year in dividends that also are not being delivered.

Columbus attorney Robert Shamansky believes the corporations and transfer agents don't try very hard to find missing shareholders, and the former congressman has crusaded against what he calls "industry complacency."

Shamansky became a lost shareholder seven years ago because of a typographical error that occurred when 1,800 shares of Limited's stock were transferred to him from a local relative's estate.

The dividend checks kept being mailed to a bad address and coming back to The Limited New York transfer agent, Manufacturers Hanover.

A basic database search probably would have found him quickly, but that wasn't done, Shamansky said. When he eventually discovered the problem, he had to fight to get his back dividends plus interest.

His treatment is not atypical. The transfer industry's basic procedure is to continue mailing correspondence, checks or securities to an address, even if it is returned, on the hope that the Postal Service erred.

After a few attempts, the address may be flagged, indicating anything sent there cannot be claimed. Eventually, unclaimed dividends or securities must be handed over to the state.

But Shamansky calls the practice "ridiculous," and contends quite logically that, with the ability of computers to tap into all types of databases, there is no reason for the large number of lost shareholders.

"Everyone is findable in less than 90 seconds," he said, a bit overoptimistically.

His tenacity — and inside knowledge of Washington — eventually got the attention of a sympathetic Arthur Levitt, the Securities and Exchange Commission chairman.

Once the SEC developed a regulatory proposal to force transfer agents to be more proactive, the industry suddenly rushed to develop its own operating guidelines, including having better database methods to trace lost shareholders.

The Securities Transfer Association even invited Shamansky to address its annual meeting last August in California. But neither the SEC nor the securities association has endorsed



BARNET D. WOLF

Dow Jones last week

Despite a currency crisis in Mexico and a potential one in Canada, markets swung Friday to push the Dow up 41.05 for the week.



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RR. Document will be reviewed upon request.

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DU
OU-2

COPY

Check received 7-21-92
STATE OF OHIO
Interest @ % for months

92 P-007064

Page no. 1 93-26

HOLDER OF UNCLAIMED FUNDS:

LIST OF OWNERS OF UNCLAIMED FUNDS HAVING A VALUE OF \$25 OR MORE

NAME The Limited Stores, Inc. ADDRESS Three Limited Pkwy. Columbus, Ohio 43230

ANNUAL REPORT DATE

Do Not Use	NAME OF OWNER	LAST KNOWN ADDRESS		Do Not Use	Owners Acct. No. Cert. No. Policy No.	Date of Last Transaction	Date for Payment Demand Return	Do Not Use	O. I. B. A.	I. E. R.	Amount Principal +Dividend +Interest	Nature of Funds Type Code	Nature of Funds
	Xerox Corporation	1250 Fairwood Avenue Ohio 43267	Columbus	Franklin	4702	07/27/84	05/25/92		O	E	\$84.71	D13	Vendor products/services
	Louks Justin	993 Wetmore Ohio 43224	Columbus		7404	02/23/89	05/25/92		O	E	\$50.00	D13	Vendor products/services
	Ohio Bell Telephone	P.O. Box 1507 Ohio 43215	Columbus		44690	07/31/89	05/25/92		O	E	\$176.07	D13	Vendor products/services
	Ontario Store Fixtures	C/O OSF America Ohio 43026	Hilliard		47082	08/07/89	05/25/92		O	E	\$978.96	D13	Vendor products/services
	Ohio Bell Telephone	P.O. Box 6250 Ohio 44101	Cleveland		108326	04/30/90	05/25/92		O	E	\$149.79	D13	Vendor products/services
	Parker Cheri	1208 Lenore Ave. Ohio 43224	Columbus		117671	06/07/90	05/25/92		O	E	\$439.42	D13	Vendor products/services
	Franklin Exterminating	20 North High Street Ohio 43110	Canal Winchester		123738	10/11/84	05/25/92		O	E	\$150.00	D13	Vendor products/services
	Goodshall Gil	5537 Mesa Ridge Lane, Apt. H Ohio 43231	Columbus		178078	07/30/85	05/25/92		O	E	\$779.26	D10	Expense reimbursement
	Arnold Graphic Industries	P.O. Box 92798 Ohio 44191	Cleveland		188844	09/24/85	05/25/92		O	E	\$2,870.43	D13	Vendor products/services
	Franklin County Municipal Court	Civil Division, 3Rd Floor Ohio 43215	Columbus	Franklin	197030	11/04/85	05/25/92		O	E	\$53.77	D13	Garnishment
	Parsons Bill	6050 Glenbarr Place Ohio 43017	Dublin		211730	01/16/86	05/25/92		O	E	\$39.59	D10	Expense reimbursement
	Bank One, Columbus	P.O. Box 16579 Ohio 43216	Columbus		232376	04/02/86	05/25/92		O	E	\$199.26	D13	Vendor products/services
	Franklin Exterminating	20 North High Street Ohio 43110	Canal Winchester		242524	06/11/86	05/25/92		O	E	\$200.00	D13	Vendor products/services
	AT&T	P.O. Box 39276 Ohio 45239	Cincinnati		320564	02/09/87	05/25/92		O	E	\$117.53	D13	Vendor products/services
	Scot Kathy	121 N. Pearl Street Ohio 43023	Granville		333845	04/09/87	05/25/92		O	E	\$360.31	D13	Vendor products/services

#38 825

**FIVE PROPOSALS BY ROBERT N. SHAMANSKY TO SOLVE THE PROBLEM OF
UNDELIVERED DIVIDENDS AND INTEREST FOR SECURITIES ISSUED
PURSUANT TO THE REQUIREMENTS OF
THE SECURITIES AND EXCHANGE ACT**

1. The issuers, which will hereafter include their agents, if they choose to use one, will meet the requirements of due diligence in delivering dividends and interest by employing the same technology and practices employed by collection agencies in locating debtors. (It is infinitely easier to locate a shareholder or a bondholder because they now must provide social security numbers to the issuers.) As the technology and practices for locating a person improves, so must the technology and the practices of the issuers and their agents without requiring the constant revision of detailed regulations promulgated by the SEC.
2. After the timely, i.e., immediately after a mailing has come back a second time, reference to a data base, the issuer or its agent will enroll the unlocated addressees on the expanded register maintained for the SEC and now containing only lost and stolen securities, which register is located in Wellesley, Massachusetts and operated by the Securities Information Center. This register will have the bare bones information now available in all fifty states for escheated property, but it will be easily accessible to the public, which can then cheaply and conveniently by telephone (1-900) or computer locate themselves if they are "lost". (Since no dollar amount will be mentioned, it is simply inefficient for unauthorized people to abuse this list although, ironically, the states now often make available the amounts of money owed.)

On an annual basis, each issuer/agent will report how many checks it sent out, and how many were returned as undeliverable. This will gauge lose the efficient as distinguished from the inefficient operators in this field.

3. When dividends are declared and interest allocated, they will be placed in trust accounts wherein shareholders' dividends will be earning interest for those shareholders after a reasonable waiting period, e.g., six months, thereby eliminating the current reward for not delivering these sums to their rightful owners. This is consistent with a long line of cases. This also has the additional advantage of eliminating culpability, i.e., fault, on the part of either the issuer/agent or the shareholder from being the determining factor. This properly shifts the focus to delivering the dividends by the most efficient means from the past practice of assuming the securityholder was always at fault and the issuer/agent was never at fault.
4. Some time prior to escheat as required by various state laws the issuer/agent will regularly offer blocks of unlocated accounts - large and small - for bidding from

members of the heir finding industry. Thus the market will determine the real cost of the locating services provided, and all accounts - both large and small - will receive appropriate attention. The heir finders will recover their real cost plus a profit and will do more business than ever while all "lost" parties will have a reasonable chance to be located. The payment of the heir finders will come from the issuer/agent and will represent a tiny fraction of one cent per share, just as general liability insurance does now to protect the issuer and thereby its shareholders.

5. The standing of share and bondholders to bring class action suits for negligence against issuer/agents for damages will be made explicit, and for gross negligence and wanton misconduct, there would be the right to claim triple damages. Experience shows that provisions like these provide the best incentives to comply, which means that every law and CPA firm would in effect prod issuers and their agents to comply with the law, obviating any need for the SEC to intervene or securityholders to bring suit.



FIRST CLASS MAIL

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**WHITE HOUSE
MAIL SECTION**

BENESCH, FRIEDLANDER, COPLAN & ARONOFF
88 EAST BROAD STREET
COLUMBUS, OHIO 43215-3506

TO:
Mrs. Hillary Rodham Clinton
The White House
Washington, D.C. 20500-2000

Attention: Ms. Nancy Heinrich

RECEIVED
BY 1689
X MAY 1

THE WHITE HOUSE

WASHINGTON

May 15, 1995

Erskine --

Just a heads up -- the enclosed is correspondence from an extremely disgruntled State Department employee of Ambassador Larry Lawrence (Switzerland) to the President, Secretary Christopher, Undersecretary Moose and the State Dept. Inspector General, among others, alleging that she has been used almost entirely to take care of the Lawrences' private, personal business.

I have given White House Counsel (Cheryl Mills) and Mike McCurry a copy of this package. I am also calling Wendy Sherman, the Assistant for Legislative Affairs at State, whom John and I worked with on the Lawrence nomination. If this stuff hits the press, and the allegations have any foundation, they could obviously be trouble. I'll keep you posted if I hear anything.

Todd

cc: Leon Panetta

DEPARTMENT OF STATE U.S.A.
WASHINGTON, DC 20520

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Washington, D.C. 20521-5110

The President
The White House
1600 Pennsylvania Avenue N.W.
Washington, D.C. 20500-2000



Embassy of the United States of America

Pam → Podesta

1/1/95
S. J. J.

April 18, 1995

The President
The White House
1600 Pennsylvania Avenue N.W
Washington, D.C. 20500-2000

Dear Mr. President:

Given that I am of course familiar with your special relationship with Ambassador and Mrs. Lawrence, I am hopeful that you will review the enclosed letters with the eyes of the man of principle that I and millions of Americans trust you to be.

And as the letters are self-explanatory, I will let you get directly to them, with the added introductory note that I have served as the appointed Special Assistant to Ambassador and Mrs. Lawrence in Bern, Switzerland for over a year and before that worked for them directly in California for over four months in preparation for this overseas assignment. That being the case, I am intimately familiar with the Lawrences in their roles as both private-sector individuals and public servants.

As an honest and dutiful American citizen, I thank you for your attention and understanding in reviewing the following information. I remain,

Sincerely,

Christina Marie Alexandre



Embassy of the United States of America

April 18, 1995

Dear Ambassador and Mrs. Lawrence:

I hereby give you 2-weeks notice for my resignation from the post of Special Assistant, effective immediately.

Given that the following statements are true:

- 1) I was hired by Mrs. Lawrence with the approval of then Ambassador designate Lawrence to take on the responsibilities of the support of Mrs. Lawrence in her post of Representative to the World Conservation Union (IUCN);
- 2) I underwent extensive evaluation and was hired by the U.S. Department of State at the request of the Lawrences to hold the post of Special Assistant in Bern;
- 3) I spent 90% of my time from arrival in Bern on March 13, 1994 to November 1994 involved in personal work for Ambassador and Mrs. Lawrence, including the in-depth arrangement of personal travel, personal appointments and personal business, et al.;
- 4) I have spent 99% of my time from November 1994 to the present involved in personal work for Ambassador and Mrs. Lawrence;

and,

- 5) Mrs. Lawrence has resigned her position of Representative to the World Conservation Union (IUCN);

I can no longer ethically justify the payment of my own salary, grade FP-03, given the above and the final fact that my salary is paid by the taxpayers of the United States of America, since I feel that as a government employee, I am a de facto servant of the people, and it is therefore to them that I am ultimately responsible.

Sincerely,

A handwritten signature in cursive script that reads "Christina Marie Alexandre".

Christina Marie Alexandre



Embassy of the United States of America

April 19, 1995

The Honorable
Warren M. Christopher
Secretary of the Department of State
U.S. Department of State
2201 C Street NW
Washington, D.C. 20520

Dear Mr. Secretary:

Attached please find a copy of my letter to Ambassador and Mrs. Lawrence notifying them of my resignation from the position of Special Assistant in Bern, Switzerland.

While I believe the letter to be self-explanatory, I would like to add the note to you that I am deeply saddened by the circumstances that have led to my resignation. Upon taking this position, I was unfortunately misinformed about the nature of my duties, and was led to believe that I would be serving my country as I aided the Ambassador and Mrs. Lawrence, the then U.S. Special Representative to the IUCN-World Conservation Union, with their official duties. However, this quickly turned out not to be the case at all, and the minor official responsibilities I did undertake on their behalf, such as the writing of speeches, work on the Art in Embassies catalog and official scheduling arrangements, were overshadowed by the majority of personal work I was required to perform for the Lawrences and the Lawrence's relations.

Given the great amount of personal sacrifice my job has required in addition to the great sum of taxpayer money that has been spent on my salary, it maligns my spirit to know that not much good was served of my efforts other than the personal satisfaction of the Lawrences. However, on the upside, I do know (as I have heard tell around the Embassy) that my work as a liaison between staff and the Lawrences as well as a professional individual in my dealings with Embassy personnel was much appreciated.

In closing, I would like to thank you, Mr. Secretary, and the Department and its personnel who diligently worked on my behalf in the hiring process, as well as the Foreign Service members of the American Embassy Bern for all of the support, encouragement and acceptance that I have felt in the over thirteen months I have served with you.

Sincerely,

A handwritten signature in cursive script, reading "Christina Marie Alexandre".

Christina Marie Alexandre



Embassy of the United States of America

April 18, 1995

Under Secretary Moose
U.S. Department of State
Management / Room 7207
Washington, D.C. 20520-7250

Via Unclassified Pouch

Dear Under Secretary:

Knowing of your intimate dealings with Ambassador and Mrs. Lawrence, I wanted to write to you directly to let you know of my resignation from the post of Special Assistant in Bern, Switzerland, as well as to make you aware of the accompanying reasons for my action.

Attached you will find copies of my resignation letter, and letters to Mr. John O'Keefe of EUR/EX and Mr. Harry Geisel of OIG that explain the circumstances leading to my decision to leave this position. You will notice that I have also requested specific action of both gentlemen: of Mr. O'Keefe that he not grant a replacement should the Lawrences be desirous of one, and of Mr. Geisel that he examine the validity of this "Special Assistant" position, given the Lawrences blatant abuse of it.

I wish to also mention here that having worked under the Lawrences' direction for over a year, I know, perhaps better than anyone, their m.o., and I will venture to guess that once my resignation and requests for action become known to the Lawrences, their vindictive nature will undoubtedly assail me as being incompetent, in the wrong and an impossible employee, among other things. Of course, this may not be the case at all, and I may be doing them a disservice. However, my experience has been that they leave no holes barred in attempting to 'save face', as it were, in relation to their private and government-related roles, even be it necessary for them to lie.

Without trying to make this a pitting of "he-said, she-said" tactics, I would rather state my preference to have my lone voice speak out against the wasteful practices of a politically appointed Ambassador and his wife in order to ask that they be made accountable for their actions, than have the taxpayers of the United States continue to pay my salary of double the American median income for a position that I, the one who occupies it, can not even justify.

- 2 -

Moose

Your understanding and assistance in rectifying this unpleasant situation is most appreciated. Should you require any further information or have any questions, please do not hesitate to contact me. I remain,

Sincerely,

A handwritten signature in black ink, appearing to read 'CMA', with a long horizontal stroke extending to the right.

Christina Marie Alexandre



Embassy of the United States of America

April 18, 1995

Mr. John O'Keefe
EUR/EX
U.S. Department of State
Washington D.C. 20520-6511

Via Unclassified Pouch

Dear Mr. O'Keefe:

The reason for this letter is a simple one: I am writing to advise you of my resignation from the post of Special Assistant in Bern, Switzerland (copy of resignation letter enclosed) as well as to advise you that after having held this position under Ambassador and Mrs. Lawrence for over a year, I can highly recommend that no other individual be allowed to occupy this slot, should the Lawrences wish to bring over a replacement.

In my year under the Lawrence's direction, and more specifically under Mrs. Lawrence's management, I have performed personal duties almost exclusively, with notable exceptions being my writing of speeches and my work on the Art in Embassies catalog. However, by and large, the nature of my work has been focused on the personal pleasure and business of the Lawrences. The personal work in which I have been involved has included the making of extensive personal travel arrangements from complete itineraries in Morocco and England to St. Moritz and more recently in the Provence region of France. I have also been extensively involved in coordinating the personal shipments of the Lawrences from California, as well as in their personal California-related business.

Additionally, I have been involved in the making of frequent personal appointments for the Ambassador and Mrs. Lawrence, including nail and hair appointments for Mrs. Lawrence and massages for the both of them, as well as in the arrangement of complete travel itineraries for their visiting family members. Family travel itineraries that I have arranged have included extensive show, restaurant and guided tour programs for Mrs. Lawrence's relations while visiting England and Eastern Switzerland, as well as more recently, complete daily activity schedules for the families of the Ambassador's son and daughter during their week- and two-week long visits to Switzerland.

- 2 -

O'Keefe

As you will note in the attached letter, my conscience does not hold up well in the face of all of the personal business to which I attend on a daily basis given that I am paid with taxpayer's money. And it is with this in mind that I have submitted by resignation. My only remorse is that other Embassy staff members will most likely have to pick up the burden that I have borne and have decided to leave.

In conclusion, I would like to thank the Department for its efforts on my behalf, and I wish to extend a personal note of appreciation to all of those employees who worked diligently to process the paperwork for my hiring in an exceptionally quick manner.

Thank you for your understanding. I remain,

Sincerely,

A handwritten signature in black ink, appearing to read 'Christina Marie Alexandre', with a stylized, cursive script.

Christina Marie Alexandre



Embassy of the United States of America

April 18, 1995

Mr. Harry Geisel
Acting Inspector General
Office of the Inspector General
U.S. Department of State
Washington D.C 20520-6817

Via Unclassified Pouch

Dear Mr. Geisel:

Attached please find my letter of resignation from the position of Special Assistant in Bern, Switzerland under Ambassador and Mrs. Lawrence, as well as my recommendation letter to Mr. O'Keefe of EUR that a replacement candidate not be offered to the Lawrences.

In both of these letters you will note that my job has been mainly to satisfy the desires and whims of the Lawrences, usually under the direction of Mrs. Lawrence, for the execution of their personal business. It is in this regard I am writing to let you know that I believe the Lawrences to have engaged in incredible mismanagement and waste of government money, specifically with regard to their utilization of my position as an instrument by which they could fulfill their personal day-to-day activities, needs and wants.

In my mind, it is incredible to think that this has gone on for over a year without reprimand, even given that it is my own job for which I can find no justification, and which I will be losing. However, I do realize, and have heard first-hand, that employees of the Foreign Service are fearful for their position should they comment on the goings-on within this embassy. I would like to comment, in addition, that I think that to be a sorry state of affairs as well.

In my eight years of employment within the private sector, I have never come across a comparable situation, for even when employees were fearful for their jobs, they knew that the personnel department of the company would back up their complaints to the full extent of the law. And no where in the private sector would a company-paid Executive Assistant be available to the wife of the CEO to carry out her personal business and appointments. I shudder to think how the shareholders would react. To continue the analogy, I shudder to think what the U.S. taxpayers would say if they knew of my position and responsibilities.

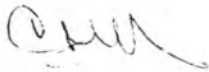
- 2 -

Mr. Harry Geisel

In this light, I ask you to please let me know what investigation you commence (even given that I am fully aware that your office will be sending auditors to Bern in the fall) and what, if any, supporting documentation you require from me--I am fully prepared to present you with anything you might need.

Your assistance in bringing the Lawrences to full accountability is greatly appreciated.

Sincerely,

A handwritten signature in dark ink, appearing to read 'CMA', with a stylized flourish extending to the right.

Christina Marie Alexandre

5/15
J. Podesta
wanted the original of
this memo.
Do not send
to RM

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN 5/15

95 MAY 12 P6:47

May 12, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Doug Sosnik
RE: Weekly Report

1996 Presidential News

Pete Wilson. Stories trickled out regarding Wilson's immigrant employee this week, with more expected soon. Among the issues that may emerge are: evidence of a different immigrant housekeeper hired before the one currently known; the circumstances of the immigrant's sham marriage; and possible involvement of prominent Republican operatives in urging the immigrant to keep her mouth shut. Meanwhile, Wilson now claims to have \$14 million in pledges and is expected to formally announce his candidacy in two weeks.

Bob Dole. Barry Goldwater endorsed Bob Dole this week, boosting Dole's chances in Arizona's early primary. The endorsement was seen as a rebuff to Pete Wilson who had actively courted the endorsement to augment his credibility in his neighboring state.

New Hampshire. Phil Gramm's problems with the Granite State continue as Delaware refuses to budge from its plans to hold a primary four days after New Hampshire. Phil Gramm, already viewed suspiciously by New Hampshire voters because of his association with Arizona's plans earlier this year to move its primary within the window, refused to cancel his appearance before the Delaware Republican Convention on May 5th. (Bob Dornan and Dick Lugar also attended.) Prior to his address, however, Gramm sought to deflect criticism by saying he planned to tell the Delaware Republicans that they should abide by New Hampshire's demand of a seven-day window between it and any other primary. During the speech, however, Gramm made no mention of the seven-day timetable, simply saying that the tradition of New Hampshire going first should be maintained.

Because he did not specifically endorse the window at the convention, Gramm has been excoriated all week in the Manchester *Union Leader*. Gov. Steve Merrill's (R-NH) comments this week ranged from "disappointed" early in the week to saying he has a "serious problem" with Gramm and that "New Hampshirites aren't buying his explanation" later in the week.

Iowa. Gov. Tommy Thompson (R-WI) was in Des Moines, IA this week. His line about a presidential bid was the same there as it has been for months: that he has no plans to run but that he will consider it if he doesn't hear the current crop of candidates talk about "important issues."

1995 Races

Mississippi Gubernatorial Race. Incumbent Governor Kirk Fordice (R) and Secretary of State Dick Molpus, the de-facto Democratic gubernatorial nominee, both kicked off their campaigns last week. Molpus is in the process of internally re-working his campaign organization, bringing on new fundraisers and a campaign political director. The Molpus campaign will continue a rigorous fundraising drive, including a scheduled DGA fundraiser this summer in D.C.

Baltimore Mayoral Race. There is increasing talk about a possible Schaefer bid in the Baltimore mayoral race as a Republican or Independent. The Democratic primary between City Council President Mary Pat Clark and incumbent Mayor Kurt Schmoke is already heated enough. The Clark campaign recently released a poll showing Clark neck-and-neck with Schmoke for the Democratic nomination.

Denver Mayor's Race. Denver Mayor Wellington Webb had another bad week. His efforts to define the run-off as a referendum on City Councilwoman Mary DeGroot's record have thus far failed. The media instead focused on conservative City Auditor and former mayoral candidate Bob Crider's endorsement of DeGroot. Crider received 9% of the vote in last week's general election and his endorsement should boost DeGroot's fundraising effort and help her appeal to Denver's moderate, blue-collar electorate. Former Mayor Federico Pena dredged up the Denver International Airport controversy yesterday in Congressional testimony. Without mentioning Webb by name, Pena said that poor decisions after he left office caused DIA's costly delays and bureaucratic debacles. Pena's critique of Webb could hurt Webb with the city's Hispanic constituency. DeGroot's internal polling shows the race in a statistical dead heat.

Allegheny County Commission Race. The heated Allegheny County, PA commission race will be held Tuesday, May 16th. The Democrats and Republicans will each nominate two candidates for the runoff election, in which three commissioners will be elected. Longtime incumbents and early supporters Tom Foerester (D) and Pete Flaherty (D) are expected to win the Democratic nominations, despite strong competition from state Senator Mike Dawida (D). A recent poll conducted by the *Pittsburgh Post-Gazette* showed that Dawida, the best known of the Democratic challengers, was unfamiliar to nearly half the Democratic voters polled. Should Dawida win one of his party's slots in the runoff, he would probably defeat Flaherty.

1996 Races

Illinois Senate Race. Lt. Gov. Bob Kustra (R) may draw a primary challenger after all. State Rep. Al Salvi (R), a wealthy attorney and anti-choice advocate, is weighing a bid and says he is prepared to spend up to \$1 million if he runs. He said: "If there's considerable support for me, I'll go." Rep. Dick Durbin (D), meanwhile, is making noises that all of the recent talk about clearing the field for former Attorney General Neil Hartigan (D) is premature and that he may make the race regardless of Hartigan's decision.

Nebraska Senate Race. Gov. Ben Nelson (D-NE) reportedly plans on running for the Senate next year and will announce his intentions after the state legislature concludes its business in early June.

Georgia Senate Race. A recent Mason-Dixon poll showed Senator Sam Nunn with a re-elect score of 61%. Only 7% of voters polled said they would not vote to re-elect the Senator. Statewide, his job approval rating was 73%-27%. Hypothetical match-ups between Nunn and rumored GOP challengers showed Nunn winning the general election by large margins. If Nunn decided not to run or to switch parties, only 30% of those polled thought Zell Miller should get into the race. Secretary of State Max Cleland was not tested as a potential candidate in the poll. Nunn is not expected to make a decision regarding his '96 candidacy until after the completion of the next round of base closings. The *Marietta Journal* poll also showed you with a favorable/unfavorable rating of 38%-62% and a re-elect score of 26%.

Montana Senate Race. Senator Baucus' internal polling (Garin-Hart) shows a mixed bag for Montana Democrats. Although Baucus trails highly popular Governor Marc Racicot by a margin of 58% to 31%, Baucus handily defeats all other prospective challengers by double-digit margins. Racicot is receiving pressure from national Republicans to challenge Baucus, but he is ultimately expected to run for reelection in 1996. Baucus' approval/disapproval rating hovers at 51%-47%, while yours is 40%-52%.

Iowa Senate Race. Rep. Jim Ross Lightfoot (R-IA) announced that he will not challenge Sen. Tom Harkin (R-IA) this year. He cited his increased influence in the new House majority as the reason.

Bea
W
Oklahoma Senate Race. The name of former Gov. George Nigh (D-OK) is being floated as a possible challenger to Sen. Jim Inhofe's (R-OK) expected 1996 bid for a full six-year term. There is no word yet on Nigh's thoughts on such a bid.

N
Alabama Senate Race. Last Friday, Representative Glen Browder (D) held a series of press conferences throughout the state announcing the formation of an exploratory committee for the '96 Senate race--to fill the seat held by retiring Senator Howell Heflin (D). The press conference received little coverage by the Alabama press. State Democratic Party Chair Bill Blount, Huntsville Mayor Steve Hettinger (D) and former Representative Ronnie Flippo (D) have met to discuss the race, with an unspoken agreement that only one of the three will seek the Democratic nomination.

Louisiana Senate Race. A Mason-Dixon poll conducted for the *Monroe News-Star* showed a crowded field with no frontrunner in the 1996 Louisiana Senate race. At the top of list of potential vote-getters is a probably party switcher, Representative Billy Tauzin, who received 14% of the vote. The Democrats have not yet fielded a strong candidate for this race. However, there is speculation that Johnston would consider resigning from office if he decides to seek the statehouse in 1995--to avoid difficult votes prior to the election. In this scenario, Governor Edwards (presumably in conjunction with Johnston) would appoint a Democratic successor to the seat for the remainder of Johnston's term. Possible candidates in the '96 race may be hanging back, waiting to see the outcome of Johnston's decision-making.

N
North Carolina Gubernatorial Race. State House Majority Whip Robin Hayes (R) announced he will challenge Gov. Jim Hunt (R) next year. Hayes, who brings considerable personal wealth to the table in the race, is virtually certain to be joined in the primary by Charlotte Mayor Richard Vinroot (R).

Other Political News

Western Militia Groups. In the wake of Representative George Miller's criticism of Representative Helen Chenoweth's ties to militia groups, Chenoweth made headlines this week by stating that the Oklahoma City bombers deserve the death penalty. In response to a query about whether she thought the government may have had a connection to the bombing, Chenoweth expressed skepticism but left the door open for the possibility: "I'm waiting to see what the facts turn up." The Seattle Post Intelligencer praised your Michigan speech this week. Meanwhile, KVI, the Washington State talk radio station that organized a protest for Mrs. Clinton's visit last year, wrote a defensive editorial this week condemning the Oklahoma bombing and expressing discomfort with the term "right wing radio."

Virginia Democratic Party. Virginia Democratic Chair Mark Warner announced this week he will step down from his post to explore running for the Senate seat currently held by Republican John Warner. Lt. Governor Don Beyer (D), the titular head of the Virginia Party, yesterday recommended Fairfax County Chair Suzie Wrenn to fill Warner's position as chair. Wrenn must be approved by the state Central Committee during their June 24th meeting.

Use lead to answer this
Rep. Steve Stockman (R). Stockman, the archconservative freshman who you may recall received a fax from affiliates of the Michigan Militia tipping him off about the Oklahoma bombing, said this week that the reason for the Waco raid was the Administration's desire "to prove the need for a ban on so-called assault weapons." White House spokesperson Ginny Terzano called Stockman's statement "an outrageous and absurd accusation."

Willie Brown. The recall election for the Republican Assemblyman who supported Brown for Speaker is scheduled for Tuesday. He is expected to lose, giving Republicans a clear majority in the house, though they must wait until a June 6 special election on another seat to reach the 40 votes needed to oust Brown as Speaker. Internal Republican politics may also slow down the drive to replace Brown, however, as at least three other Republicans are considering challenging their leader for the job.

Governor William Weld. Governor Weld of Massachusetts (R) created waves yesterday when he failed to show up at the legislative hearing for his death penalty bill. The passage of the bill is a big priority for the Governor and has been highly controversial within the state legislature. Weld missed the hearing because he was out-of-state campaigning for California Governor Pete Wilson.

New York Mayoral Race '97. Comptroller Carl McCall this week toyed publicly with the idea of challenging Mayor Giuliani. McCall would be a top contender in a Democratic primary. At present, Manhattan Borough President Ruth Messinger is in the race, and Bronx Borough President Fernando Ferrer is toying with the idea of running. No African-American candidate has emerged, other than McCall. McCall privately, however, says he's not really thinking of running and is just playing with Giuliani in the press.

Louisiana Democrats. Mack McLarty will serve as keynote speaker of the Louisiana Democratic Party's Jefferson-Jackson Day dinner this Saturday, May 13th. The event will be attended by Senators Breaux and Johnston, as well as the bulk of the Democratic gubernatorial nominees. Despite reports of flooding and hurricane-like weather, the event is expected to draw a strong turnout from local Democratic supporters.

California's Central Valley. At the request of Vic Fazio, Leon Panetta met with five Democratic members from California's Central Valley today to solicit their thoughts about our political prospects in the valley. While they have problems with our environmental policies, they strongly support our trade efforts and very much want you to visit the valley this year.

Washington Immigration. Conservative groups are gathering signatures in Washington State to qualify a measure similar to California's Proposition 187 for this fall's ballot.

Gorton vs. Environmentalists. Senator Slade Gorton's bill to scrap the Endangered Species Act has further galvanized the environmental community in the northwest. Livid environmental groups were already organizing grass-roots and paid media campaigns around Gorton's salvage logging amendment to the rescission bill, and are likely to be a highly motivated force in the 1996 elections.

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

THE PRESIDENT HAS SEEN 5/16

IP/Rego

LOSING CONTROL

DEFENSE DEPARTMENT

Billions Go Astray,
Often Without a Trace

By Dana Priest
Washington Post Staff Writer

Each year, the Defense Department inadvertently pays contractors hundreds of millions of dollars that it does not owe them, and much of the money is never returned.

In addition, the department has spent \$15 billion it cannot account for over the past decade.

And Pentagon purchasing agents appear to have overdrawn government checking accounts by at least \$7 billion in payment for goods and services since the mid-1980s, with little or no accountability.

Unlike the infamous \$7,600 coffee pot and \$600 toilet seat pricing scandals of years past, these problems, and many more, are the result of poor record-

keeping and lax accounting practices that for years have characterized the way the Defense Department keeps track of the money—\$260 billion this year—that it receives from Congress.

According to a series of investigations by the department's inspector general and the General Accounting Office, and ongoing work by Pentagon Comptroller John J. Hamre, the department's systems of paying contractors and employees are so antiquated and error-prone that it sometimes is difficult to tell whether a payment has been made, whether it is correct, or even what it paid for.

Just how much money does the poor accounting waste?

Former deputy defense secre-

See DEFENSE, A6, Col. 1



Tracking the cash:
John Harris works on outmoded equipment in converted Ohio hangar that funnels \$90 billion in military money.

BY GARY W. KIRKSEY FOR THE WASHINGTON POST

The Pentagon Writes the Checks, But Can't Keep Track of Balances

DEFENSE, From A1

tary and new CIA Director John M. Deutch wouldn't hazard a guess. "Lots," he scribbled recently on a reporter's notebook in response to a question.

For months after he took the job as chairman of the Joint Chiefs of Staff in late 1993, Gen. John Shalikashvili received paychecks for the wrong amount. In the last year and a half, Comptroller Hamre counted six problems with his own pay.

A paper-based system in which items frequently are misplaced or lost and computers that often cannot talk to each other are part of the problem. But there are other major systemic weaknesses. A lack of basic accounting procedures—such as matching invoices and payment records, or keeping track of money spent on a given piece of equipment from one year to the next—has made it impossible to determine how billions of dollars have been spent by each of the service branches.

In addition, Hamre explained, tracking the money has been nearly impossible because 300 different program directors—the Air Force F-16 fighter program director, the commanding officer of an aircraft carrier, the head of a maintenance depot, for example—have had separate checkbooks, each one free to write checks without regard to the balance in the Pentagon's central registry.

The U.S. Treasury has always paid the bills, even when there was no money in a given project's account, because it assumes any error was unintentional and someday would be corrected, said Pentagon officials and inspector general investigators.

"There's this huge pot of money over there in the Treasury that you can keep drawing down," said the Deputy Inspector General Derek J. Vander Schaaf. "As long as your [overall] checkbook's good," he said, meaning the Treasury, "nobody screams."

The problems were created over several decades and made worse during the 1980s Reagan administration defense buildup during the latter days of the Cold War, when there was little political will to scrutinize the record sums being spent.

Today, however, even ardent defense hawks have become disturbed over the mismanaged flow of funds. Some Republicans who looked deeply into the matter are suggesting a freeze on military spending until the Pentagon's corroded payment system can be permanently fixed.

"The defense budget is in financial chaos," said Sen. Charles E. Grassley (R-Iowa), who is advocating a



Watchdogs: Two critics of Pentagon accountability are Comptroller John J. Hamre, above, and Deputy Inspector General Derek J. Vander Schaaf, below.



freeze. "The foundation of the defense budget is built on sand."

A Senate Armed Services subcommittee is scheduled to hold a hearing on the problems Tuesday. It will be chaired Sen. John Glenn (Ohio), a Democrat, who was authorized by Republicans to conduct it because of his long-standing interest in the subject.

Among the problems detailed by the Defense Department, the Pentagon inspector general and the GAO: ■ Of the 36 Pentagon departments audited by the inspector general (IG) in the last year, 28 used "records in such terrible condition" as to make their annual financial statements—an accounting of money collected and money spent—utterly worthless, said Vander Schaaf.

■ Financial officials cannot account

for \$14.7 billion in "unmatched disbursements," checks written for equipment and services purchased by all military units within the last decade. This means that accountants know only that a certain amount of money was spent on the overall F-16 jet account, for example, but not how much was spent on F-16 landing gear or pilot manuals because they cannot find a purchase order from the government to match the check.

"You don't know what you're really paying for," Vander Schaaf said.

The \$14.7 billion represents "hard-core problems" where department accountants have tried but failed to find the records. "We could be paying for something we don't need or want," said Russell Rau, the IG's director of financial management.

■ In the last eight years, various military offices appear to have ordered \$7 billion worth of goods and services in excess of the amount Congress has given to them to spend. These "negative unliquidated obligations" may indicate that a bill has been paid twice or mistakenly charged to the wrong account because bookkeepers at hundreds of maintenance depots, weapons program offices and military bases did not keep track of payments they made, said Vander Schaaf.

Of the \$7 billion "the government has no idea how much of this balance is still owed," Rau said.

Hamre has threatened to take part of the \$7 billion out of the military services' current operating budget if they cannot find documentation for the expenditures by June 1.

■ Every year the Defense Department pays private contractors at least \$500 million it does not owe them, according to Vander Schaaf. The GAO believes the figure is closer to \$750 million.

The payment system is in such bad shape that the Pentagon relies on contractors to catch erroneously calculated checks and return them. Many of the overpayments are due to errors made on a paper-based system in which harried clerks are judged by how quickly they make payments. And because there is no adequate way to track the amount of periodic payments made on a contract, businesses often are paid twice for the work they have done.

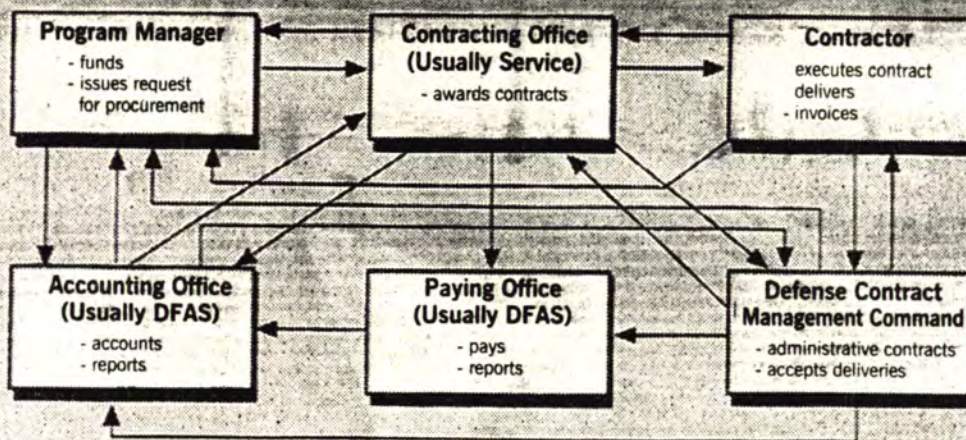
Defense Department finance officials believe they are recouping about 75 percent of the overpayments, although they admit they have no way of knowing exactly how much is being overpaid.

Today, after an 18-month struggle by Hamre to turn the situation around, the department still has 19 payroll systems and 200 different contracting systems.

Hamre, who wins praise from Republicans and Democrats for his efforts, has undertaken a major consoli-

Contract Payments Process

(Paper Flow)



SOURCE: Department of Defense.

About a hundred transactions are required for each procurement payment as reflected by the arrows in this Pentagon chart.

dation of payroll and contracting offices. He has opened more than 100 investigations into whether individual program managers or service agencies violated the law by using money appropriated for one program for something else or for paying contracts that exceeded their budget.

He has frozen 23 major accounts and has stopped payment to 1,200 contractors whose records are particularly troublesome. In July, clerks will be prohibited from making payments over \$5 million to any contractor "unless a valid accounting record" of the contract can be found. By October, the amount drops to \$1 million, which means it will affect thousands more contracts.

According to Hamre and Rau, a number of cases are under investigation for possible violations of the Anti-Deficiency Act, the law that governs how congressionally appropriated money must be spent. Penalties range from disciplinary job action to criminal prosecution. Investigators are trying to determine:

- Why there is an unauthorized expenditure of around \$1 billion on the Mark 50 torpedo, and the Standard and Phoenix missiles. Hamre and Rau suspect that Navy officials used money appropriated for other items or wrote checks on empty accounts to pay contracts from 1988 and 1992.

- Whether Air Force officials used money from various weapons programs to build a golf course at Wright-Patterson Air Force Base in Ohio beginning in 1987.

- What happened when some programs ran out of money. "There are some [cases] in the Air Force now that really stink," Hamre said. When money for the Advanced Cruise Missile ran out, Air Force officials simply terminated the existing contract and rewrote another, more expensive one the following day, Pentagon investigators recently concluded. In order to pay for cost overruns associated with the new C-17 cargo plane, contract officials simply re-

classified \$101 million in development costs as production costs.

Hamre said the services allowed such money mingling to go on partly because of the complexity of the yearly congressional appropriations process. "People want to find an easier way to get the job done," he said. "They are trying to get some flexibility in a very cumbersome system."

But, he added, some services also have resisted correcting problems and punishing wrongdoers. "I'm very frustrated by it," he said. "In the past, they just waited until people retired. It was the old boy network covering for people."

The Defense Department is unlike any government agency in scope and size. It sends out \$35 million an hour in checks for military and civilian employees from its main financing office in Columbus, Ohio. And it buys everything from toothbrushes to nuclear submarines; about \$380 billion flows within the various military purchasing bureaucracies and out to the private sector each year.

It takes at least 100 paper transactions among dozens of organizations to buy a complex weapons system. Some supply contracts have 2,000 line items and, because of the congressional appropriations process, must be paid for by money from several different pots.

Fixing the problems without throwing the entire system into chaos, Hamre said, "is like changing the tire on a car while you're driving 60 miles per hour."

But some argue it has never been more important to make the fixes quickly.

"Here we are in a period of reduced spending, it's critically important today that we get a bigger bang for the buck," said Sen. William V. Roth Jr. (R-Del.), chairman of the Government Affairs Committee, where many of the current problems were first revealed. "We've got to put pressure on to expedite it. At best, it will take too long."

But in the world of Defense De-

partment financing, time is not always a solution, as one small example illustrates.

In 1991, because of a computer programming error, the department's finance and accounting service centers erroneously paid thousands of Desert Storm reservists \$80 million they were not owed. When officials realized the mistake, they began to send letters to service members to recoup the overpayments. Many veterans complained to Congress, which then prohibited the Pentagon from collecting any overpayment of less than \$2,500 and made it give back money collected from people who received less than that amount.

To comply, the Defense Finance and Accounting Service (DFAS) payment centers in Cleveland, Denver, Indianapolis and Kansas City created new computer programs to cancel the debts and issue refunds. But they did not adequately test the new programs, IG and GAO investigators found.

As a result, the appropriate debts were not canceled, and improper amounts of refunds were issued, often to the wrong service member. The DFAS center in Denver, for example, canceled \$295,000 that service members owed it for travel advances. In all, the botched effort to follow Congress's direction cost taxpayers an additional \$15 million, Pentagon officials said.

"It isn't possible now" to recoup the money, Hamre said. "We can't reconstruct the records. We admit we're really, really bad. We won't do it again." The IG's office has agreed that it would be too costly to reconstruct the records and recoup the loss.

As he often does when he testifies about these matters on Capitol Hill, Hamre confessed to the Senate Armed Services Committee recently: "We've made a lot of progress. Boy, we've got a long way to go."

91

THE PRESIDENT HAS SEEN 5/15/95

To VP / E / Canaveral

- Have we considered
center in Rego
- Is this plan essentially
accurate B.

PETER LYNCH Picks a Roller Coaster Stock

MARCH 1991
US \$3.00
CANADA \$3.50

worth

FINANCIAL INTELLIGENCE

TAXED TO THE --- LIMIT

*The income tax hangs
in the balance as the IRS
limps toward the future*



THE WHITE HOUSE
WASHINGTON

DATE: 5/16/95

TO: DR. JACK GIBBONS
BILL GALSTON

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

CC: Todd Stern

THE WHITE HOUSE
WASHINGTON

Staff Secretary -

Note time
sensitive -

and Mr. Waugh will
be calling Potus.

95 MAY 16 8:06

The Foundation on Economic Trends

1660 L St., NW, Suite 216, Washington, DC 20036 Tel (202) 466-2823 Fax (202) 429-9602

FAX COVER SHEET

DATE: 5/15 TIME: _____

TO: President Clinton, c/o Betty Curry

FAX#: 456-2883 TEL: _____

FROM: Theodore Wang

NO. OF PAGES (Including cover sheet): 4

NOTES: _____

The Foundation on Economic Trends

1660 L St., NW, Suite 216, Washington, DC 20036 Tel (202) 466-2823 Fax (202) 429-9602

May 15, 1995

Dear President Clinton,

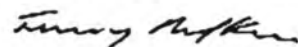
On Thursday, May 18th, the titular leaders of more than eighty (80) religious faiths and denominations will announce their opposition to the patenting of genetically engineered animals and human genes, cells and organs. A press conference will be held that day at the National Press Club at 12 P.M..

I am enclosing a press release and a story that appeared on the front page of Saturday's *New York Times* regarding the upcoming event.

We would like to know if you support the position taken by America's religious leaders to oppose the patenting of genetically engineered animals and human genes, cells and organs. We will be releasing a list of the official positions taken by members of Congress at this press conference. Because the list will be released on Thursday, your prompt response would be appreciated.

One of our attorneys, Theodore Waugh, will be following up with a phone call later this week.

Sincerely,



Jeremy Rifkin

Joint Appeal Against Human and Animal Patenting

1660 L. Street, N.W., Suite 216, Washington, D.C. 20036 Tel: 202-466-2823 Fax: 202-429-9602

For Immediate Release

**Contact: Anna Awimbo
Carin Houck-Wylie
(202) 466-2823**

**"Broadest coalition of religious leaders in U.S. history
set to oppose commercial patents on life."**

The titular leaders of more than 80 religious faiths and denominations to announce opposition to the patenting of genetically engineered animals and human genes, cells and organs. Press conference to be held on Thursday, May 18th at 12 pm at the National Press Club.

Unprecedented coalition of Protestant, Catholic, Jewish, Muslim, Buddhist and Hindu leaders launch a national campaign against the granting of government patents on God's Creation.

Unique coalition brings together all the mainline Protestant denominations, the Jewish faith, more than 100 Catholic Bishops, Baptist, Evangelical, Pentecostal, Charismatic and Orthodox Churches.

Washington, D.C. (May 18, 1995) --- The titular leaders of more than 80 religious faiths and denominations will hold a press conference on May 18th at 12 pm at the National Press Club to announce their opposition to the patenting of genetically engineered animals and human genes, cells and organs. The coalition - the broadest ever assembled on a science and technology issue - includes the spiritual leaders of the Protestant, Jewish, Catholic, Muslim, Hindu and Buddhist faiths.

The Joint Appeal Against Human and Animal Patenting has been organized by the General Board of Church and Society of the United Methodist Church and the Foundation on Economic Trends.

Participants at the Press Conference include: Dr. Richard Land, Executive Director, The Christian Life Commission of the Southern Baptist Convention; Bishop Kenneth Carder of The United Methodist Church; Reverend Wesley Granberg-Michaelson, Secretary General, Reformed Church in America; Rabbi David Saperstein, Director, Religious Action Center of Reform Judaism; Abdurahman Alamoudi, Executive Director, American Muslim Council; Jeremy Rifkin, President, Foundation on Economic Trends; and Jaydee Hanson, Assistant General Secretary, General Board of Church and Society of the United Methodist Church.

Speakers will discuss plans for a nationwide educational campaign in the nation's churches, synagogues, mosques and temples to raise critical theological concerns over the patenting of life.

In 1987 the U.S. Patent and Trademark Office issued a decree extending patentability to any genetically engineered animal, as well as human genes, cell lines and organs. This controversial decision has led to periodic protests in Congress and stiff opposition from environmental organizations. Scientists, corporations, and universities are already claiming rights to hundreds of human genes and genetically engineered animals. To date, 9 animals have been patented. The Joint Appeal Against Human and Animal Patenting represents the first organized opposition to the patenting of life by a broad cross section of the U.S. religious community.

opposed to the patenting of human genes or organisms. That, they say, violates the sanctity of human life and reduces what some call the "blueprint of evolution" to a marketable commodity.

But biotechnology companies respond that in practical terms, opposing patenting amounts to opposing genetic engineering. They say the patents — which grant companies exclusive rights to manufacture or sell inventions for 17 years — have been crucial to their ability to raise capital, because they assure that a company can earn a profit from its research.

Ms. Raines noted that biotechnology companies must raise tens of millions of dollars years before they have a marketable product, and patents provide the only assurance of being able to profit in the event that high-risk research is successful.

Goal of all these efforts was profoundly moral. "The motivation of biotechnology is not to play God," she said. "It is to play doctor. Doing that requires that we learn about, and harness, the genes that God has placed in us, and to fix those that through an error of nature are not working properly. We believe those are appropriate goals and that they reflect our reverence for human life."

The New York Times

NEW YORK, SATURDAY, MAY 13, 1995

Page

RELIGIOUS LEADERS PREPARE TO FIGHT PATENTS ON GENES

MANY FAITHS SHOW UNITY

U.S. Asked to Reverse 15-Year Policy, a Foundation of the Biotechnology Industry

By EDMUND L. ANDREWS

WASHINGTON, May 12 — Opening what could be a passionate new battle over religion and science, many mainstream religious leaders are about to start a campaign against a financial pillar of the biotechnology industry: the ability to patent human genes and genetically engineered animals.

Leaders from virtually every major religion in the United States plan to issue a joint statement next week asking the Government to prohibit the current patenting practices for genetic engineering. To do so would reverse a 15-year policy that industry executives say was crucial to the birth of commercial biotechnology.

The statement has been signed by religious leaders across the political and cultural spectrum: roughly 100 Roman Catholic bishops, numerous Protestant and Jewish leaders and groups of American Muslims, Hindus and Buddhists.

"This issue is going to dwarf the pro-life debate within a few years," said Richard D. Land, head of the Christian Life Commission of the Southern Baptist Convention. "I think we're on the threshold of mind-bending debates about the nature of human life and animal life. We see altering life forms, creating new life forms, as a revolt against the sovereignty of God and an attempt to be God."

On the other side, biotechnology companies typically view patents as a life-or-death issue. Had it not been possible to patent human genes, they say, thousands of patients would already have been denied life-saving drugs.

A number of the religious leaders interviewed this week say that they are not opposing genetic engineering or biotechnology itself on religious

Many of those participating in the campaign say they are also alarmed about future commercial prospects: companies that own the rights to a line of human blood cells, or to genes used in tests to detect breast cancer or to genes that could be inserted into human embryos to create "designer children."

"One of the basic principles of our church is that life is a gift from God," said Bishop Kenneth Carder, who is in charge of the United Methodist Church's task force on genetic science. "The patenting of life forms reduces life to its marketability. Gone is the fundamental principle that life is a gift that ought to be shared and nurtured."

Indeed, the breadth and depth of religious feeling on the issue are hard to overstate, and many religious leaders say they plan to encourage a broad education effort and ignite a long-term political campaign from within their churches and synagogues.

The new coalition was painfully stitched together over the last two years, largely with help from one of the biotechnology industry's most persistent adversaries: Jeremy Rifkin, head of the Foundation on Economic Trends in Washington. The foundation has fought biotechnology companies on scores of issues, from marketing milk produced by cows that receive a growth hormone to growing new plants that were developed through genetic engineering.

The Patent and Trademark Office has routinely awarded patents on human genes since 1980, when the Supreme Court ruled that the Exxon Corporation could patent a micro-organism used to dissipate oil spills. The Government awarded the first animal patent in 1988, on a genetically modified mouse developed at Harvard University, and it has since issued eight other animal patents.

Nearly all of the successful new drugs produced through genetic engineering have been based on patented human genes, like the gene that produces human growth hormone or the genes that stimulate production of red blood cells. Human genes are also central to new "genetic therapies," in which patients with a genetic disease like cystic fibrosis are injected with healthy genes that reproduce inside the body.

"Some people mistakenly assume that breakthrough medical technologies will occur without patents, but they will not," said Lisa Raines, vice president for government affairs at the Genzyme Corporation in Cambridge, Mass., which is working on gene therapies for cystic fibrosis and also owns part of a company that is developing transgenic goats that

The strongly held — and opposite — views are likely to present the conservative Republican Congress a difficult choice between two constituencies that lawmakers passionately support: business and religion. While the religious groups plan to pursue educational campaigns, Mr. Rifkin has been laying the groundwork for a political assault, financed in part by church contributions.

Republican lawmakers moved aggressively during the first 100 days of Congress to remove what they viewed as impediments to business, from environmental regulations to product-liability lawsuits.

But conservative Christian denominations have provided a pillar of Republican support, and some of those same groups have signed up as opponents to the patenting of genes. Among them are the Southern Baptist Convention, the Assemblies of God and the Reform Church of America.

Bishop William Friend of the Roman Catholic Diocese of Northern Louisiana said that patenting human genes or genetically engineered animals was clearly at odds with the teachings of Pope John Paul II, who has already preached against practices including artificial insemination and in-vitro fertilization.

"Pope John Paul was clearest about this when he said that all activity, all interference in the genome, must absolutely respect the specific nature of the human species and the incomparable dignity of every human being," Bishop Friend said.

The biotechnology industry, he added, was looking at the issue from the standpoint of business and science. "You've got to realize that we are dealing in a larger context — the sovereignty of God," the Bishop said. "We're calling for education on this topic. Decisions are being made, and people are garnishing rights without a public forum. I have a problem with that."

The debate is likely to become more complicated as technology advances. Most animal patents thus far have been for mice genetically engineered for use in medical research. The "Harvard mouse" was genetically engineered to develop cancer and is used in cancer research. Scios Nova Inc., a company in Mountain View, Calif., obtained a patent in February for mice that exhibit the symptoms of Alzheimer's disease.

But several companies are working on stranger projects. DNX Technologies of Princeton, N.J., has been trying to develop animals with human-like organs that can be transplanted to people.

Ms. Raines of Genzyme said the