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THE WHITE HOUSE
WASHINGTON

April 25, 1998

MR. PRESIDENT:

Attached are the following weekly reports:

- (A) Weekly Economic Briefing
- (B) Interest Rates and the Stock Market (CEA) and Update on Emerging Markets (Treasury)
- (C) DPC Report
Tab A: entire report - Yellen/COS
- (D) NEC Report
page 2/3 - Reed/From/COS
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- (E) CEQ Report
Tab C: Reed/Kagan/COS
- (F) Emanuel Report
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Phil Caplan
Sean Maloney

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

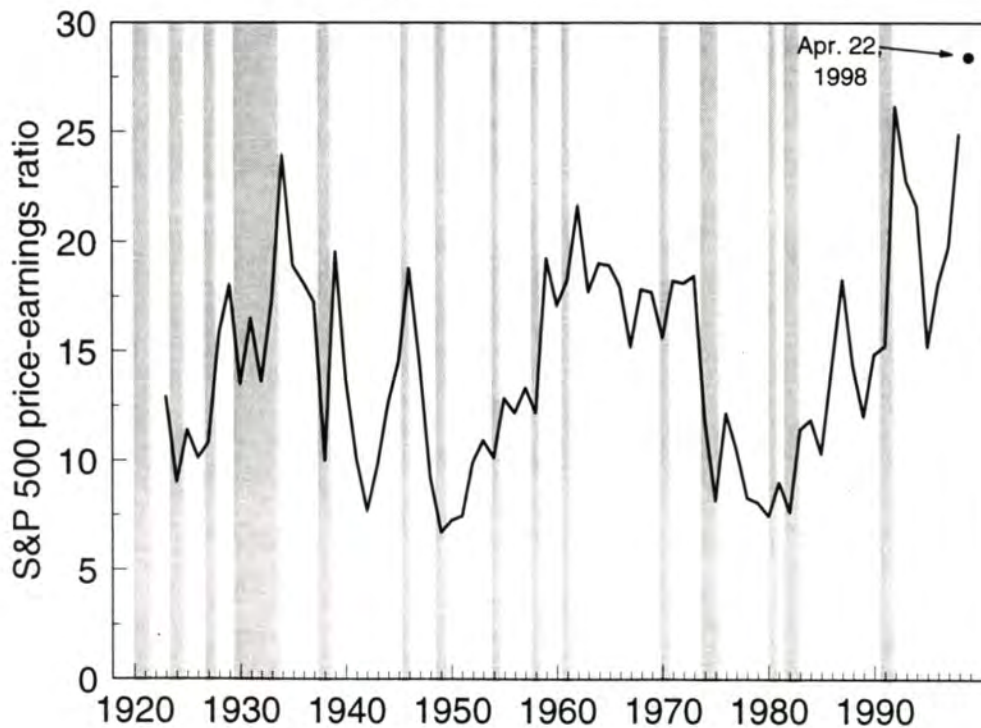
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

April 24, 1998

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Veller/COS
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Sec Cuomo
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CHART OF THE WEEK

Price-Earnings Ratio Reaches New High



The price-earnings ratio of the Standard and Poor's 500 stock index is now higher than at the start of any year since the index was introduced in 1923. Such a high P/E so far into an expansion is unusual. More typically, high P/E's are associated with stock market increases immediately following a recession that has depressed earnings, as in 1991. Expectations of higher future earnings might justify high stock prices, but corporate profits currently appear to be slipping (see the Current Development in this Weekly Economic Briefing).

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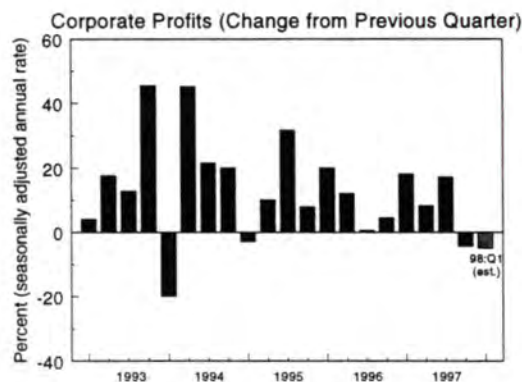
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CURRENT DEVELOPMENT

Corporate Profits Edging Down?

On the surface at least, trends in corporate profits would seem to be at odds with trends in stock prices. Stocks have continued to rise, sending price-earnings ratios to record highs (see Chart of the Week). But corporate profits have started to decline (see upper chart).



Trends. Corporate profits have grown rapidly during this expansion. For the year 1997 as a whole, profits were 10.0 percent of GDP—the highest level since 1968. However, profits fell at a 4.4 percent annual rate in the fourth quarter of 1997, and some analysts are projecting another fall in the first quarter of this year, based on corporate earnings reports. This expansion has seen quarters in which profits have fallen, but not two consecutive quarters (see lower chart).

Analysis. Most of the rise in the profit share over the past few years has been at the expense of interest payments—not labor income. In fact, labor's share of GDP has been fairly flat and close to its long-term average. Wage acceleration has been tame through most of this expansion. And a pick-up in productivity in 1997 allowed real wages to begin rising without putting undue pressure on prices or profits.

Implications. Thus far, this expansion has been profit-friendly, with low interest rates and moderate labor-cost pressures. These developments have created an attractive atmosphere for stock prices as well. But the near-term outlook is for a sharp moderation in profit growth and a possible reassessment of stock market valuations.

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SPECIAL ANALYSIS

Does It Pay to "Make Work Pay?"

Results from a major new experiment in Canada suggest that an earnings supplement for long-term welfare recipients promotes work and increases family incomes.

The theory. Most welfare programs discourage work because they reduce benefits dollar-for-dollar with additional earnings. Allowing welfare recipients to keep some earnings without a reduction in their grant may encourage current recipients to work more. However, it may pull working families into welfare and potentially decrease their incentive to work. One alternative is to target long-term welfare recipients to receive an earnings supplement. This minimizes work-disincentives because it limits the program to those who were likely to be on welfare anyway. It also reduces program costs. The main drawback to targeting long-term recipients is that it may encourage families to stay on welfare longer in order to qualify for the subsidy.

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The experiment. The Self-Sufficiency Project (SSP) is a large Canadian social experiment that offers single parents who have been on welfare for at least a year an earnings supplement if they leave welfare and work at least 30 hours a week at a job paying the minimum wage or better. The supplement is reduced by one dollar for each two dollars of earnings above the implied minimum earnings level. The amount of the supplement is set at an unusually high level, but is available for only 3 years. For example, a family working 30 hours per week all year at \$6 per hour would receive a supplement of about \$12,000 (more than three times the maximum amount an equivalent U.S. family could receive from the Earned Income Tax Credit). The hope is that stabilizing income at a high level for 3 years will allow families to move toward economic self-sufficiency and will leave them with better jobs and higher incomes in the long run than a more traditional welfare-to-work program.

Findings from a recent 18-month evaluation of the SSP include the following:

- Work. The SSP was clearly effective in promoting work and increasing earnings. Both full-time and aggregate employment rates increased substantially. Average monthly earnings increased by about 40 percent (\$95) relative to the control group.
- Income. Average monthly incomes (earnings plus transfers) rose about 20 percent (\$173) among those eligible for SSP. This reflects both an increase in earnings and an 11 percent (\$78) increase in transfer payments. (Since many of those eligible for the SSP elected not to receive it, increases in work and income among those who actually participated were substantially greater.)
- Targeting effects. Targeting the program to long-term recipients appears to have been successful in limiting its effects on welfare duration, even with these very large supplements. The probability of being on welfare a year later increased by

about 3 percentage points for new welfare recipients who were told they had to remain on welfare for a year to qualify for the SSP.

Implications. These results suggest that the SSP program has been successful in increasing both work and income, in part because of its high subsidy, but also because of its high earnings disregard. This is promising for the 40 states now experimenting (on a much more modest level) with expanded earnings disregards. In fact, a recent evaluation of the Minnesota Family Investment Program (MFIP) showed that its high earnings disregards were successful in promoting work and increasing family incomes. The SSP results also suggest that targeting benefits to long-term welfare recipients may help to minimize costs and work disincentives, since it does not appear to be associated with substantially greater welfare duration.

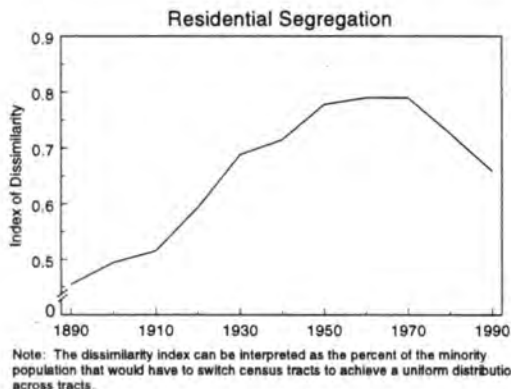
SPECIAL ANALYSIS

A Century of Residential Segregation

In 1890, the average urban black person lived in a neighborhood that was 27 percent black. But that percentage rose to 43 percent in 1940 and 68 percent in 1970, before falling to 56 percent in 1990. A more technical index of residential segregation shows a similar pattern, rising rapidly over the first half the 20th century and declining moderately since then (see chart). What accounts for these trends?

Rising segregation: the role of migration and population growth. The Great Migration of blacks from the rural South to the industrial centers of the North during the first half of the century contributed to the rise in segregation. In part, the Great

Migration increased segregation because newcomers to any city tend to cluster at first and then disperse over time. However, comparisons with foreign-born immigrants suggest that segregation of blacks is more persistent.



unchanged. In fact, this effect explains only a small part of the increase in segregation. Segregation rose within most cities, and it increased more where the black population grew faster, suggesting that the growing black population increased the desire of whites to live apart from blacks.

Explaining the decline. Integration in the past two decades has largely taken the form of the elimination of exclusively or nearly exclusively white areas, rather than movement of non-blacks to largely black neighborhoods. Between 1960 and 1990, the share of neighborhoods that were less than 1 percent black fell from 55 to 18 percent in central cities and from 70 to 40 percent in suburbs, while the share that were at least 90 percent black doubled in both the suburbs and central cities. Between 1970 and 1990, declines in segregation were most pronounced in the major cities of the South and West. Segregation fell more in cities where the non-black population grew faster. This may mean that a preference for living in segregated neighborhoods has declined among whites, and that this change is likely to show up most quickly in growing cities.

Factors that have contributed to the decline in residential segregation include judicial and policy changes, such as the 1948 Supreme Court decision invalidating "restrictive covenants" and the Fair Housing Act, as well as changing attitudes (which may also have been influenced by the Civil Rights movement). The

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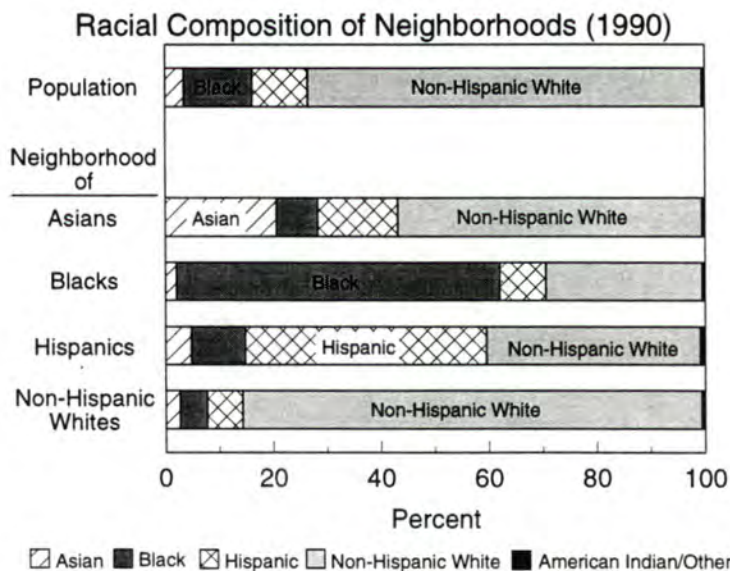
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mechanisms that enforce segregation also appear to have changed. At mid-century, whites acted explicitly to exclude blacks from white neighborhoods through means both legal (racial covenants in housing) and illegal (violence against blacks moving into white areas). Research suggests that segregation of blacks from whites now results more often from whites' greater willingness to pay to live in predominantly white areas, rather than from explicit actions by whites to exclude blacks.

Implications. Research has shown that racial segregation can limit access to jobs and aggravate other economic and social disparities. While the recent decline is encouraging, segregation of black Americans remains high.

Residential Segregation Among Other Groups

The composition of neighborhoods varies considerably across racial and ethnic groups. The chart shows the average racial and ethnic composition of the neighborhoods lived in by members of each group in 1990. Each racial and ethnic group is more likely to live with others of the same group, but this tendency is most pronounced for blacks. Between 1980 and 1990, segregation declined only among blacks; segregation of Asians from others rose somewhat, while that of Hispanics changed little.



ARTICLE

Israel Attains Economic Maturity at 50

On the occasion of the 50th birthday of the state of Israel, the government is announcing plans to make the shekel fully convertible internationally. This step is one manifestation of the rapid progress the country has made over the last 15 years, with regard both to restoring monetary stability and to raising per capita income. Indeed, the International Monetary Fund now classifies Israel as an “advanced economy”—though Israel still considers itself a developing country.

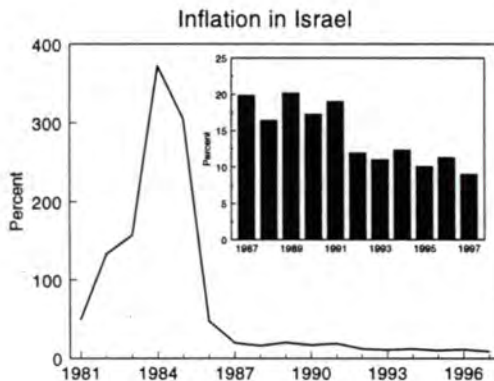
Convertibility. Foreign exchange reforms have been timed for the 50th anniversary of independence, with a view towards attaining full convertibility within a few years. Although some emerging-market countries may fear that a full opening to the forces of international capital flows will expose them to East Asian-style crises, the Israelis appear to be feeling more confident than vulnerable. The country has been experiencing net capital inflows in recent years.

Some kibitzing. The move to convertibility was endorsed in a recent report by the U.S.-Israeli Joint Economic Development Group (JEDG), a consultative body established in the mid-1980s to discuss Israeli economic policy that includes senior U.S. officials. JEDG recommendations to the government include the following:

- **Fiscal policy.** Obtain Knesset approval to continue to reduce the budget deficit, from 2.8 percent of GDP in 1997, to 2.4 percent in 1998, and 2.0 percent in 1999. (These figures do not include large payments to compensate bondholders for inflation, the major component of interest payments on the government debt.) The JEDG also recommended cutting government spending, which is almost half of national output, rather than raising taxes.
- **Monetary policy.** Support the Bank of Israel in its ongoing effort to bring down inflation by establishing inflation targets and protecting the operational independence of the Bank from outside political forces.
- **Privatization.** Establish targets for the numbers of companies transferred to private managerial control, beyond ongoing plans for partial sales of government assets. Industries singled out were telecommunications, transportation, financial services, construction, and chemicals.
- **Financial reform.** Further liberalize and strengthen the functioning of capital markets, for example by reducing the pension fund system’s reliance on subsidized government paper. Opening the financial services sector to foreign and domestic competition would expand the range of available investments.

Back from the 1980s brink. Although the Israeli government is today generally pursuing sound economic policies (and so is not particularly in need of outside

advice), this was not always the case. When the JEDG was set up in the mid-1980s, the country was in macroeconomic crisis—with very high indebtedness and an economy flirting with hyperinflation. (The inflation rate was approaching 500 percent per year in late 1984.) A monetary stabilization program was introduced in July 1985, which was highly successful in bringing inflation down sharply over the next 2 years and setting the stage for improved economic performance.



The 1990s. Inflation remained stuck on a plateau around 10 percent in the mid-1990s (see chart). The Bank of Israel achieved lower inflation in 1997, but only at the cost of high interest rates and an unemployment rate that rose above 7 percent. Unemployment is an unusually important concern in a country where it has always been considered a top national priority to supply every resident with a job in order to encourage immigration.

Israeli growth averaged a strong 6.1 percent in the first 6 years of the decade, until the slowdown of the last 2 years. Two of the primary sources of that expansion—massive immigration from the former Soviet Union and increased confidence among investors stemming from the Israeli-Palestinian peace process—have stopped and cannot be relied upon to sustain growth. Under Secretary of State Stuart Eizenstat, when releasing the JEDG report, observed that the standstill in the peace process is the main factor that is currently stalling economic growth.

How Israel industrialized. The good news is that the country has now built a dynamic high-tech sector, by means of a highly skilled population and a pullback of the public sector from its previous overwhelming role in the economy. Such industries as advanced medical scanners, communications systems, electronics, and especially computer software have expanded rapidly, while traditional sectors intensive in unskilled labor (such as textiles, leather, footwear, and foods) have contracted.

Conclusion. The reallocation of resources along the lines of Israel's international comparative advantage, along with other economic reforms, has helped to put the country on the cusp of attaining developed country status.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

✓ **Immigration Has Little Impact on Crime Rates.** Cities with high crime rates tend to have large numbers of immigrants. However, a new cross-city study has found that, once demographic characteristics of the city (such as age, race, and ethnicity) are taken into account, recent immigration appears to have no effect on crime rates. The study also looks at changes in crime rates over time and finds that they do not appear to be associated with changes in the numbers of immigrants. This result holds whether or not demographic characteristics of the city are taken into account. The study also finds that youth born abroad are significantly less likely than native-born youth to be criminally active.

Estimating the Demand for Pork. The provision of public services through national legislation gives lawmakers the chance to fund locally beneficial public projects from a national tax base. However, public goods that benefit specific localities but are financed nationally may end up being provided in excessive quantities. In economics parlance, their marginal social value is less than the marginal social cost of providing them; in popular parlance, they are "pork barrel" spending. An important assumption behind this conclusion is that national legislators in fact demand more of the locally beneficial project as their constituents' share of the cost declines. A recent study confirms this assumption in an investigation of legislators' project choices following the passage of the Water Resources Development Act of 1986 (WRDA-86), which increased the local cost shares for new project funding. Members of Congress were allowed to adjust the size of their local water projects given the new cost-sharing rules of WRDA-86. The study found that legislators' chosen water project sizes fell as the local cost share rose—a 1 percent increase in the local cost share resulted in a 1.3 percent decrease in the size of flood control and shoreline protection projects and perhaps as high as a 2.5 percent decrease in the size of large navigation projects. Furthermore, WRDA-86's increase in local cost shares reduced total project spending by 35 percent and reduced Federal outlays for project spending by 48 percent.

High School Teams Gear Up for Annual Fed Challenge. Started in 1995, the Fed Challenge is a competition sponsored by the Federal Reserve and Citibank, in which high school teams compete to present the best monetary policy analysis. This year the competition drew entries from 147 schools from 6 Federal Reserve districts. Each team must provide analysis and recommend whether the Fed ought to raise interest rates, cut them, or stand pat. In May, the finalists will make their presentations in a forum modeled on meetings of the Federal Open Market Committee and will be judged by Federal Reserve Vice-Chair Alice M. Rivlin and two of her colleagues. The five members of the winning team will each collect a \$10,000 scholarship, while their school will receive a \$50,000 grant to promote economics education.

INTERNATIONAL ROUNDUP

World Bank Conference Debates Future Development Strategies. Topics covered at the Annual World Bank Conference on Development Economics included the role and effects of geography, competition policy, financial markets, and ethnic diversity in economic development. These discussions signaled a growing appreciation of such issues among development officials. World Bank President James Wolfenson set the stage for the conference by expressing his view that the just-concluded Chile summit had forged a new "Santiago consensus." Wolfenson was playing off the term "Washington consensus" used to describe current consensus indicators of policy (fiscal discipline; spending on education, health, and infrastructure; tax reform; market-determined interest rates; a competitive exchange rate; a liberal trade policy; openness to foreign direct investment; privatization; deregulation; and property rights protection). The Bank president suggested that two major changes are now in order: environment and equity should be added to the list of criteria of good policy; and the developing countries no longer require as much direction from Washington.

United States Tops Competitiveness List. The United States again ranks first in the annual rankings of the World Competitiveness Yearbook (WCY). The WCY reflects an effort to measure how national environments sustain the domestic and global competitiveness of the firms that operate in the 46 countries covered. The success of the U.S. economy is attributed to privatization, deregulation, a flexible labor market, and massive investment in new technology that has paid off. Singapore, Hong Kong, the Netherlands, and Finland follow in the rankings. Japan, which ranked second only 5 years ago, is now ranked 18th, falling nine places this year. Although most of the top 20 are high-income industrialized countries, Taiwan (18) and Malaysia (20) beat out several Western European countries. (The WCY was formerly published in cooperation with the World Economic Forum in Geneva, but the latter group now publishes a separate assessment.)

OECD Emphasizes Joint Effort On Corporate Governance. In the wake of the East Asian crisis, some analysts suggest that the roots of trouble could be seen in the East Asian style of corporate governance, with its emphasis on maximizing market share rather than profitability or stock prices. In short, firms failed to realize that it was possible to have too much investment or the wrong kind of growth. Addressing these problems, an OECD advisory group has issued a report emphasizing the enhancement of good corporate governance through joint efforts between policymakers and the private sector. It suggests that the OECD recommend minimum international standards of corporate governance to promote fairness, transparency, and accountability, while still allowing flexibility and adaptability from country to country and avoiding excessive regulations. The focal point of corporate governance should be the board of directors, which is charged with monitoring management on behalf of shareholders. Thus, to be effective, some board members need to be capable of exercising business judgment independently of management.

RELEASES THIS WEEK

There were no major releases this week.

MAJOR RELEASES NEXT WEEK

Advance Durable Shipments and Orders (Tuesday)
Consumer Confidence—Conference Board (Tuesday)
Gross Domestic Product (Thursday)
Employment Cost Index (Thursday)
NAPM Report on Business (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1997	1997:2	1997:3	1997:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.7	3.3	3.1	3.7
GDP chain-type price index	5.4	1.8	1.8	1.4	1.4
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	2.1	2.3	3.6	1.6
Real compensation per hour:					
Using CPI	0.6	2.2	1.8	1.8	3.1
Using NFB deflator	1.3	2.5	2.0	2.7	3.9
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.5	10.4	10.7	10.6
Residential investment	4.5	4.1	4.0	4.1	4.1
Exports	8.2	11.8	12.0	11.9	11.9
Imports	9.2	13.1	13.1	13.3	13.2
Personal saving	5.3	2.8	3.1	2.6	2.9
Federal surplus	-2.7	-0.4	-0.5	-0.1	-0.1
	1970- 1993	1997	Jan. 1998	Feb. 1998	March 1998
Unemployment Rate	6.7**	4.9**	4.7	4.6	4.7
Payroll employment (thousands)					
increase per month			399	252	-36
increase since Jan. 1993					14965
Inflation (percent per period)					
CPI	5.8	1.7	0.0	0.1	0.0
PPI-Finished goods	5.0	-1.2	-0.7	-0.1	-0.3

**Figures beginning 1994 are not comparable with earlier data.

FINANCIAL STATISTICS

	1996	1997	Feb. 1998	March 1998	April 23, 1998
Dow-Jones Industrial Average	5743	7441	8324	8709	9143
Interest Rates					
3-month T-bill	5.01	5.06	5.09	5.03	4.96
10-year T-bond	6.44	6.35	5.57	5.65	5.69
Mortgage rate, 30-year fixed	7.80	7.60	7.04	7.13	7.15
Prime rate	8.27	8.44	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level April 23, 1998	Percent Change from	
		Week ago	Year ago
Deutschmark-Dollar	1.801	-0.3	5.2
Yen-Dollar	130.2	-1.2	3.2
Multilateral \$ (Mar. 1973=100)	99.74	-0.3	3.3

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	3.7 (Q4)	4.7 (Mar)	1.4 (Mar)
Canada	4.2 (Q4)	8.6 (Feb)	1.2 (Feb)
Japan	-0.2 (Q4)	3.6 (Feb)	1.8 (Feb)
France	3.2 (Q4)	12.2 (Jan)	0.7 (Feb)
Germany	2.3 (Q4)	7.7 (Jan)	1.1 (Feb)
Italy	2.8 (Q4)	12.1 (Jan)	1.8 (Feb)
United Kingdom	2.8 (Q4)	6.4 (Feb)	3.4 (Feb)

THE WHITE HOUSE
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April 24, 1998

THE PRESIDENT HAS SEEN

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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Tobacco -- Surgeon General's Report on Minority Smoking: You are scheduled to participate in a White House event on Monday to announce a new Surgeon General's report on tobacco use among four minority groups (African Americans, Hispanics, Asian Americans, and American Indians/Alaska Natives). The Vice President, Secretary Shalala, Surgeon General Satcher, and Senator Frist will also have speaking roles at the event. (Frist played a key role in getting the Satcher nomination through the Senate; more recently, he played an indispensable part in ensuring that the provisions in the McCain bill on FDA jurisdiction would be acceptable to the Administration.) We will use the event to get minority health groups and Members of Congress invested in this issue, while also sending a broader message about the need to pass comprehensive tobacco legislation.

* The report, Satcher's first as Surgeon General, is the first comprehensive compilation of research on tobacco use among minority groups. The report finds that after years of significant decline, the prevalence of smoking increased by 80 percent among African-American youths and by 34 percent among Hispanic youths between 1991 and 1997. The report also notes that Native Americans have the highest rate of smoking of any ethnic group in the nation. The report finds that smoking is a major cause of disease and death among minority populations, and that these populations will experience increased mortality and morbidity from tobacco unless recent trends are reversed. The report suggests that targeted advertising and promotion of tobacco products within minority communities is partly responsible for the recent rise in smoking rates among African-American and Hispanic youth. (The report does not mention a recent article in the New York Times suggesting that minority youth are using more tobacco because they have discovered that it prolongs the high from marijuana.) Finally, the report calls for more research into how best to reduce smoking rates in minority communities.

✓ **2. Tobacco -- Legislative Update:** We continue to work toward setting up negotiations on comprehensive tobacco legislation in the Senate, probaly involving the Administration, Senators Lott and Daschle (or their designees), and Senators McCain and Hollings. The aim of these negotiations would be to produce an agreed-upon bill to go to the Senate floor, or at least to narrow the contested issues. Erskine, Larry, and Bruce met with Senators McCain, Mack, Kennedy, and Conrad last week, and will meet with a number of other Senators (perhaps including John Kerry, Harkin, Graham, Snowe, Collins, and Jeffords) next week. We probably

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will want you to become involved as well next week, by meeting with Daschle and Lott and pressing for negotiations. We will give you a memo soon on our suggestions for handling such negotiations.

3. **Health -- Patients' Bill of Rights Legislation:** Rep. Ganske told Rep. Dingell this week that at least five Republicans have decided to co-sponsor the Dingell/Gephardt patients' bill of rights legislation. The announcement of these Republican co-sponsors, which is expected to come as early as next week, should greatly increase the pressure on the Republican House caucus to support acceptable patients' rights legislation. (We have heard that a Republican House task force is also drafting legislation in this area, but currently intends to include certain "poison pill" provisions involving limitations on medical malpractice suits and expansions of multi-employer welfare associations.) We are reaching out to Reps. Ganske and Dingell to determine if we can set up a meeting next week between you and the new Republican co-sponsors. Such an event almost certainly would receive significant press attention.

4. **Health -- Assisted Suicide:** A recent study on assisted suicide in the New England Journal of Medicine found that only about three percent of physicians have ever prescribed medications to hasten the death of a terminally ill patient and only about five percent have ever administered injections to do so. The study also found, however, that 36 percent of physicians would write lethal prescriptions and 24 percent would administer lethal injections if such actions were legal. This widely reported study could intensify efforts in Congress to enact legislation to prohibit doctors from assisting their patients to commit suicide. As you recall, Sen. Hatch and Rep. Hyde are prepared to introduce such legislation in the event that the Justice Department opines that the Controlled Substances Act, as currently written, does not prohibit these practices. The Justice Department intends to issue such a decision in about two weeks. We will send you a memo next week that outlines options for responding to Hatch's and Hyde's likely initiative.

5. **AIDS -- Needle Exchange:** As we expected, your needle exchange decision provoked strong criticism from both ends of the political spectrum. On the one side, AIDS advocates and your Advisory Council on AIDS expressed great disappointment that we decided not to release federal funds. DPC, the AIDS office, and others in the Administration have reached out to the AIDS community to explain our decision and explore ways of working together on related initiatives involving HIV prevention and drug treatment. We are also attempting to develop an appropriate way of marking the one-year anniversary of your HIV vaccine initiative. On the other side, Republican members of Congress attacked you for releasing scientific findings that needle exchange can reduce HIV transmission without increasing drug use. Sen. Coverdell introduced legislation to prevent the Secretary from ever releasing federal funds for needle exchange programs, and Rep. Hastert introduced even more extreme legislation that would deny federal funds to any entity using *its own funds* for this purpose. We will work with Legislative Affairs to oppose these initiatives.

6. **Education -- D.C. Vouchers:** The Republican House leadership currently intends to bring a D.C. voucher bill to the House floor next week. DPC, Legislative Affairs, and the

Education Department are working with Reps. Gephardt and Norton to fashion a message and legislative strategy that builds on your Education Opportunity Zones proposal (e.g., ending social promotions and fixing failing schools) and your budget proposals for D.C. (e.g., supporting the District's new effort to end social promotions and implement proven practices in low performing schools). We think that in addition to pointing out the need to improve our urban public schools, we must convey a hard-edged realism about how to do this. The District's new social promotion policy, as well as its recent action on charter schools (see below), should help us accomplish this task. New York City also announced last week a new proposal to end social promotions, by requiring students to pass tests in the 4th and 7th grades. The press has greeted this proposal very favorably, and generally linked it to your policies. We should use these recent efforts to turn around urban schools as a contrast to the Republicans' strategy of abandonment.

7. Education -- Charter Schools: In the District of Columbia, nineteen applicants for charter schools have received preliminary approval to begin operations, bringing the total number of charter schools to 23. The D.C. Board of Education -- the elected board that was stripped of all powers except those relating to charter schools -- approved nine of these schools; the Independent Public Charter School Board -- a board appointed by Mayor Barry from a list of names compiled by Secretary Riley -- approved the other ten. Among the new schools are: a residential charter school for at-risk middle school students, an adult education center for immigrants, and a "hospitality" high school organized by the area's hotel industry.

In California, Silicon Valley high-tech executives are supporting a ballot initiative that would make it easier to start charter schools in the state and would lift the current cap on the number of charters. The California Teachers' Association (CTA), although professing support for the concept of charter schools, has come out strongly against the proposal. The executives and CTA are now negotiating over a possible legislative alternative to the initiative. Some observers believe that they could reach agreement and that the California legislature could adopt the compromise approach as early as next week. We will provide you a status report before your trip to California.

8. Education -- National Board for Professional Teaching Standards: A bipartisan group of eight governors (Hunt, Locke, Chiles, Carper, Voinovich, Racicot, Branstad and Thompson) wrote a letter last week to Bill Goodling to express support for the National Board and for your funding request. The letter also went to the other chairs and ranking members of the relevant authorizing and appropriations committees.

9. Crime -- Chicago Gang Ordinance: The Supreme Court decided on Monday to review a state court decision invalidating Chicago's Gang Congregation Act. This law, challenged by the ACLU on the ground that it violates due process, authorizes police officers to order individuals loitering in public places to disperse if the officer "reasonably believes" the individuals belong to a criminal street gang. Individuals who refuse to abide by the officer's order are subject to up to 6 months in prison. Chicago argues that the law led to a significant drop in gang-related violence; its petition to the Court was supported by 13 states, a wide variety

of community organizations, and all the major organizations representing local government officials, including the U.S. Conference of Mayors, National League of Cities, National Association of Counties, and International Association of Chiefs of Police. We will meet with Rahm and Counsel's Office next week to discuss whether the Justice Department should file a brief in the case and, if so, what it should argue.

10. Crime -- Survey of Jail Inmates: The Justice Department's Bureau of Justice Statistics will release a study this weekend on jail inmates. In 1997, local jails across the country held 567,079 inmates -- up 40 percent from the 1990 level of 405,320. A survey of these inmates showed:

- **Inmate Demographics:** Ninety percent of the inmates were male and 10 percent were female. Thirty seven percent were white; 41 percent were black; 19 percent were Hispanic; and four percent were Asian, Pacific Islanders, American Indians or Alaska natives.
- **Drug use up:** More than half of all inmates used drugs in the month before their offense, compared to 44 percent in 1989, the last year for which there are reliable statistics. A full 82 percent used drugs at least once in their lives (78 percent in 1989); 78 percent used marijuana (71 percent in 1989); 50 percent used cocaine (same in 1989); 34 percent used stimulants (22 percent in 1989); 32 percent used hallucinogens (24 percent in 1989); and 24 percent used heroin (19 percent in 1989).
- **Violent crime charges slightly up:** The percentage of inmates charged with violent crimes increased from 23 percent in 1989 to 26 percent in 1996; the percentage charged with drug offenses was unchanged at 22 percent.
- **Majority already under criminal justice supervision:** Fifty four percent of jail inmates were already under the jurisdiction of the criminal justice system (usually under probation) at the time of their arrest.
- **Many on welfare or unemployed:** Thirty nine percent of all inmates were raised in families that received welfare or public housing assistance. At the time of their arrest, 20 percent were receiving some form of government assistance, such as welfare, SSI, or unemployment compensation. Over one-third (36 percent) were unemployed.
- **History of sexual or physical abuse common:** Forty eight percent of female inmates and 13 percent of male inmates were sexually or physically abused at least once in their lives. Twenty seven percent of women and 3 percent of men were raped.

11. Drugs -- Republican Task Force on Drugs: Speaker Gingrich and Reps. Hastert and Portman will unveil a "Drug-Free America Strategy" on Thursday. Republican talking points we have seen are notably short on substance. They call for attacking the Administration

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on needle exchange and calling for a three-front war to "deter demand," "stop supply," and "increase accountability." The talking points then refer to "possible legislation" on: Drug-Free Schools, Drug-Free Workplaces, Drug-Free Prisons, Drug-Free Borders, Drug-Free Hemispheres, Drug Czar Reauthorization, and Drug-Free Money Laundering. When we know more, we will give you further information.

✓ **12. Immigration -- H1B Visas:** DPC and NEC have worked with a number of agencies to develop a legislative proposal that would temporarily increase the number of foreign workers who can enter the United States under the H1B program, while expanding training opportunities and reforming the program to ensure it does not operate at the expense of Americans. Elena and Sally Katzen met last week with Reps. Lamar Smith, Mel Watts, and Zoe Lofgren to explain our proposal, and we will give legislative language to their staffs next week. Smith seems genuinely committed to bipartisan cooperation on this issue, and we hope that this process will lead to a better bill than the Abraham-sponsored legislation passed by the Senate Judiciary Committee on a straight party-line vote last month.

✓ **13. Welfare Reform -- Campaign to Prevent Teen Pregnancy:** Secretary Shalala will host a reception on Thursday for this year's honorees of the Campaign to Prevent Teen Pregnancy. The honorees include: Governor Carper; NBC; the Teen Outreach Program; Students Against Destructive Decisions (SADD); The Children's Network, a conflict-resolution program in San Bernadino; Dayton-Hudson (Target Stores); and Jerry Tello and Geoffrey Canada for their work on male involvement. The Secretary will announce the honorees, read a Presidential Message for Teen Pregnancy Prevention Month, and release a report containing previously released data on teen births. As you know, the data show that the number of teen births has declined from 1991 to 1996, but remains unacceptably high. Following the reception, the Campaign will hold a press briefing on the Hill with its Congressional Task Force to release a new report highlighting the critical role that parents and other adults can play in reducing teen pregnancy.

✓ **14. Service -- Philadelphia Service Summit:** General Colin Powell will issue a report on Monday on what America's Promise has accomplished in the year since the service summit. He is expected to focus on corporations that have made new commitments or followed through on prior ones, and on communities that have continued the summit's work. His report will also include an update on federal agency commitments. He will present his report in Chicago to a special meeting of the U.S. Conference of Mayors.

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THE WHITE HOUSE

WASHINGTON

April 24, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC WEEKLY REPORT

cc: ERSKINE BOWLES

1998 World Competitiveness Report -- America: The World's Most Competitive Economy

Again: On Monday (4/19), the Institute for International Management Development (IMD) released their 1998 World Competitiveness Report. For the fifth year in a row, the United States was ranked the most competitive economy in the world. The IMD cited our strong economy, massive domestic investments, labor market flexibility, and deregulation as the reasons for our #1 ranking. In 1992, they ranked the United States #5 -- behind Japan, Germany, Denmark, and Switzerland. This report used to be prepared jointly by IMD and the World Economic Forum. However, they split in 1995 and decided to publish rival surveys, with IMD maintaining the same methodology and the World Economic Forum developing an alternative survey. You should know that while IMD ranked the America #1 in 1997, the World Economic Forum placed the U.S. at #3, behind Singapore and Hong Kong. The World Economic Forum has not yet published their 1998 competitiveness report.

IRS Hearings: The Senate Finance Committee will begin another round of hearings next week, beginning on Tuesday. The hearings will focus on the Criminal Investigations Division of the IRS and are going to be more sensational than the previous hearings. The Senate Democrats have been completely excluded from the process and are angry. Senator Daschle has criticized the Republicans in advance of the hearings. We believe that Moynihan wrote a letter to Roth that was sent on Friday--we don't expect it to be leaked until Sunday. On Wednesday, Rahm, Paul, and I met with Secretary Rubin to discuss our strategy. The IRS and Treasury have been actively recruiting a major law enforcement figure to head up an investigation into the criminal division. Treasury and the IRS are trying to finalize the arrangement by early next week. Commissioner Rossotti has asked Chairman Roth that he be allowed to testify at the outset of the hearings. Roth is apparently going to reject the request and Rossotti is likely to testify at the end on Friday. He will give strong testimony, expressing no tolerance for the types of abuses raised. Either at that time or before, the IRS will likely announce Administrative actions in response. Treasury is also working on possible relevant amendments that could be added to the IRS reform bill when it moves to the Senate floor.

Unemployment Insurance Reform: On Thursday (4/22), the Department of Labor transmitted to the Hill the reforms to the Unemployment Insurance (UI) system included in your FY99 budget. The legislation was subsequently introduced by a bipartisan group of Congressmen: Levin (D-MI), English (R-PA), and Rangel (D-NY). Our proposals strengthen the UI safety net in three ways: (1) it provides incentives to States to implement administrative systems that will make the program more accessible to low-wage workers, increasing the proportion of unemployed workers receiving UI; (2) it revises the program's unemployment triggers to make

extended benefits more readily available during recessions, helping to avoid situations like the one that arose during the last recession when the Federal government had to allocate \$28.5 billion to provide extended benefits to unemployed workers; and (3) it provides incentives to States to voluntarily improve the solvency of their unemployment trust funds and thereby their ability to pay benefits if unemployment increases. These proposals are a first step toward more comprehensive reform. An interagency NEC working group will continue to meet to develop more extensive reform proposals.

Social Security: Three developments on Social Security are worth noting this week. First, the Ways and Means Committee approved the Archer commission bill by voice vote on Wednesday (4/22). In addition to creating a formal National Dialogue on Social Security (led by two Facilitators and a Dialogue Council, with representation from a long list of interest groups and think tanks), the bill creates a commission charged with designing a single package of long-term Social Security reforms. While we do not object to the National Dialogue component we have three serious concerns about the commission. First, we are worried that the commission (through leaks and perhaps periodic reports) could politicize the Social Security Reform efforts before the November elections. Second, the commission's reporting date (Feb 1999) is after the date we had hope to start negotiations thus delaying reform. Third, it is not clear at this point precisely what mechanism will be the best one to get reform done-- and legislating a commission could restrict our flexibility. You should also know that Speaker Gingrich has asserted publicly that Erskine had said that we would sign the bill in its current form. This is not true. What Erskine told Speaker Gingrich was that we are willing to listen to their idea and work them to see if there is an acceptable compromise. I have been in contact with the bi-partisan Leaders staff to explore possibilities.

Second, Senator Gramm held a press conference on Wednesday to release his reform proposal, which involves a 3 percent individual account starting January 1, 2000. Gramm claims to finance his proposal by using the projected surplus, reducing Social Security benefits by \$1 for every 72 cents withdrawn from an individual account, and earmarking for Social Security the additional corporate income taxes he assumes will result from higher national saving under the plan. Gramm has not yet subjected his proposal to scrutiny by the Social Security actuaries, however, his estimates are likely to prove inaccurate--particularly because of his unrealistic assumption of dynamic scoring to preserve existing benefits.

Social Security Trustees Report: The 1998 Social Security Trustees report will be released next Tuesday (4/28). Outside experts are expecting a slight improvement relative to the 1997 report (which showed a 75-year actuarial imbalance of 2.23 percent of taxable payroll, and forecasted that the Trust Fund would be depleted by 2029).

Medicare Trustees' Report: Although there will be no information released on the status of the Trust Fund prior to the official release on 4/28, it seems clear that results from a recent analysis will hold: that the BBA reduced the 75-year actuarial deficit of Medicare by about one half. It is unclear whether the precise year of Trust Fund exhaustion will remain at 2010. You should have a chance on Tuesday to comment on the Social security and Medicare numbers.

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AARP to Release Positive Analysis of the Medicare Buy-In: Next Thursday (4/30), the AARP will hold a press conference to release an actuarial analysis of the Medicare buy-in. We understand that the analysis confirms both our Actuaries' and CBO's estimates of the premiums and suggests what the premiums would be if age eligibility were raised to 67. The American Academy of Actuaries may release a report in May with similar findings. Attention is also being directed toward the buy-in through a series of public forums. Chris Jennings spoke at one of these forums this week, and another is scheduled for late May. Moynihan is considering holding hearings.

H-1B: Last week Sally Katzen and Elena Kagan met with House members and their staff to further discuss pending H1-B legislation. We anticipate that the House version of legislation to increase the number of temporary (H-1B) visas for foreign "specialty" workers will contain strong reforms to the H-1B visa program (as we have advocated for several years) and a training component (to insure that U.S. workers can obtain the skills needed by employers.) We expect Reps. Smith and Watt will introduce such a bill sometime next week. Also, we can expect that this issue will move quickly in both the House and the Senate because the current cap (of 65,000) on the number of H-1B visas is expected to be reached by mid-June.

G.I. Bill: If all goes well the Senate version of the G. I. Bill, the Workforce Investment Partnership Act, will reach the floor next week. We clearly support passage of the bill, but there is an amendment to the current Senate bill by Sen. Ashcroft that threatens the Administration legacy on School-to-work that the Administration strongly opposes. I spoke with Senator Kennedy myself several times to discuss strategy and we decided not to fight the amendment now in order to move the bill through the Senate, because Sen. Kennedy has gotten verbal commitments from Sens. DeWine and Jeffords to work with us in Conference to address our objections to the Ashcroft Amendment. Larry Stein also recommends this strategy.

Bankruptcy: As you know, the startling increase in consumer bankruptcy filings (1.3 million in 1997, an almost 400% increase since 1980) is giving momentum to an effort to make significant changes to the Bankruptcy Code; however, dramatically different diagnoses of the problem have produced varied approaches. Credit card companies argue that consumers are abusing the bankruptcy system and so advocate a new "needs-based" approach to bankruptcy, which would force some of those who can afford to repay a share of their debts to do so. These proposals are sharply criticized by consumer groups who blame the increase in bankruptcies on excessive credit extension. They offer competing proposals that would not allow collection of certain debts in bankruptcy if the credit were imprudently extended. The lack of definitive information and analysis cautions against a radical departure from the historic structure of the Bankruptcy Code, but some changes may be warranted. The NEC is running a process to develop a package that appropriately balances consumer and creditor interests and a strategy to address legislation moving on Capitol Hill.

Apparel Industry Partnership: Much to everyone's surprise, the AIP survived another meeting this week without defections. Secretary Herman and I pressed both sides to make reasonable compromises. Modest progress was made on external monitoring requirements and the Association's authority to address companies doing business in a country whose laws or practices make it impossible to be in compliance with the Code (e.g., China, where freedom of association

and freely chosen unions are not recognized). Cooperative public behavior notwithstanding, we have reason to believe that we still face the possibility I warned of last week: UNITE (the key apparel industry labor union) departing, the other unions and NGOs unable to remain without UNITE, and the companies proceeding alone. We should have a report from the Labor/NGO caucus early next week. We will coordinate closely with DoL and Karen Tramontano and make recommendations to you on how to proceed.

✓ **Child Labor:** The NEC convened a meeting (4/24) of DoL, State, Treasury/Customs, AID, USTR, NSC, OMB, and White House officials to get reports on child labor activities throughout the government and better coordinate activities to advance your child labor agenda. A working group will meet biweekly to produce a detailed Child Labor Action Plan and calendar. Topics include: advancing your FY 99 budget initiative; the U.S. role in promoting the ILO Convention on Child Labor; the Customs Service's child labor enforcement efforts; a strategy to respond to Rep. Chris Smith's legislation proposing international sanctions for child labor; better use of opportunities to highlight your child labor message; and better advance planning and coordination in connection with overseas trips.

✓ **Future of Manufacturing Extension Partnership:** NEC staff this week chaired a Commerce-EOP meeting on the future of the Manufacturing Extension Partnership, which will be one of your legacies in technology policy. We have succeeded in achieving our start-up goals for MEP: a demand-driven network of 70 locally managed centers (up from 7 in 1992) in all 50 states that reach about 30,000 small manufacturers a year, half of them repeat customers. It is now time to stretch the goals and scope of MEP by optimizing this remarkable network and improving the effectiveness of program services. (For example, the current focus on helping firms manufacture commodities more efficiently needs to shift toward helping them develop higher value products.) To help us think about this more systematically, we agreed to ask the National Academy to organize a workshop on the future of the MEP.

✓ **User Fees for FAA:** On Monday (4/20), Secretary Slater and Administrator Garvey announced legislation to make the FAA operate more like a business. Specifically, FAA air traffic control services would be centralized in a Performance-Based Organization and services for commercial (not general) aviation would be funded by cost-based user fees. These proposals largely mirror the recommendations of the National Civil Aviation Review Commission (chaired by Norm Mineta), with which OMB and NEC worked closely. NCARC's support for user fees followed from a similar recommendation by last year's "Gore Commission" on Aviation Safety and Security. As NEC director, Laura Tyson served on the Gore Commission; the NEC was the major champion for user fees, overcoming initial opposition from a majority of other commission members who preferred to continue the existing ticket tax.

Student Loan Interest Rates: Representative Arney and others are pushing for a "fix" to be included with the supplemental appropriations bill. Because it is the only truly time-sensitive driver on the HEA reauthorization, moving the interest rate provision to the supplemental unfortunately reduces the likelihood of Congress sending you a Higher Education reauthorization bill. But we may not be able to stop this from happening, so we will likely be involved in negotiations over the weekend. As you remember, the current interest rate proposal in Congress adopts the rate we recommended for students, but has taxpayers footing the bill for additional

✓ subsidies to banks. We have objected. *It is possible that we will have to sign on to a compromise that will involve a higher rate for students than we proposed (for example, a 60 basis point reduction from today's rates rather than 80 basis points).*

✓ **America Reads:** On Thursday (4/23) Sen. Coverdell himself proposed to add the language of the House-passed Reading Excellence Act as one of the many amendments proposed to the Coverdell Education IRA legislation (As you know, the Goodling response to America Reads has some problems, but it is acceptable). At our recommendation, the Democrats accepted it on a voice vote. There was a good colloquy between Sen. Kennedy and Sen. Coverdell in which they agreed that it is important for a reading bill to pass soon (we need one by July 1 to use the \$210 million advance appropriation). Sen. Kennedy urged that this happen separately, through the normal process that would allow amendments.

✓ **Technology Training for Teachers:** The NEC and the Department of Education met with over 100 people from around the country on technology training for teachers -- K-12 teachers, industry executives, faculty at teacher colleges, and state technology coordinators. The purpose of the meeting was to (1) share best practices; (2) get input on the best uses of the Administration's \$75 million grant program; and (3) build private sector support for doing more to ensure that teachers can use technology effectively in the classroom. Assuming that we can get a critical mass of support from the private sector -- we would like to have an event on this issue.

✓ **Homeownership Rate for First Quarter of 1998:** On Tuesday (4/20), the Census Bureau reported that the homeownership rate for the first quarter of 1998 rose to 65.9 percent, from 65.7 percent in the fourth quarter. This is below the all-time quarterly high of 66.0 percent in the third quarter of 1997. However, comparisons between quarters is difficult since the numbers are not seasonally adjusted. You should know that the first quarter number is the highest first quarter homeownership rate on record and over the past year, the average homeownership rate is also the highest on record. The homeownership rate for every group -- including central cities, African Americans, Hispanics, female-headed households, those with low incomes, and married couples under age 35 -- rose in the first quarter. And, through the first quarter of 1998, we still remain ahead of schedule in reaching your goal of 8 million new homeowners by the end of the year 2000.

✓ **Japanese Government Stimulus Package:** On Friday (4/24), the Japanese Government announced the details of its 16 trillion yen stimulus package. It contains 11.3 trillion yen in "real water" stimulus, at the high end of what Treasury publicly called for several months ago when economic conditions were less negative. Hashimoto went further than his preliminary announcement two weeks ago by boosting public works spending from 6 trillion yen to 7.7 trillion, and extending its deficit reduction target date from 2003 to 2005. As expected, the package contains an additional 4 trillion yen in temporary tax cuts but no permanent tax cuts. Treasury believes the package, if implemented quickly and effectively, will significantly reduce the risk of a deeper recession, and may foster some growth in the short term. Market reaction has been slightly positive, but not effusive. Following an NEC Principals conference call on Friday morning, Secretary Rubin issued a statement welcoming the substantial and positive policy measures announced, and expressing his hope the government will put them into place quickly

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and effectively. He also noted the need for Japan to move forward with further measures to strengthen its banking system and open and deregulate its economy, to help establish a sound basis for longer term domestic demand led growth that will contribute to a recovery in Asia.

✓ **U.S.-EU Trade Initiative:** On Monday (4/20), the NEC Deputies held a meeting this week to review progress toward a U.S.-EU trade initiative, with the hope it would be announced at the May U.S.-EU Summit. The EU General Affairs Council will meet on Monday, April 27 to see if an EU mandate can be reached, despite French opposition. Private indications are the they will achieve a political consensus on the outlines of a proposal, but the French will not permit a formal mandate to be granted. This might nevertheless permit agreement at the Summit to pursue a generally described agenda. However, differences between the U.S. and the EU remain in key areas, such as agriculture and audio-visual services, and EU capacity to move forward is not yet assured. We will keep you informed.

Sanctions: On Wednesday (4/22), the NEC Deputies met this week to reach agreement on the Administration's position toward Hamilton-Lugar legislation establishing better Congressional and Administration processes in sanction making policy. Our proposed position is positive toward the spirit of the legislation (to improve decision making and make sure all relevant factors are considered), but we would express concerns about some of the limitations on executive discretion contained in the bill. A proposed draft is being circulated in the OMB process. The Deputies also considered a lawsuit likely to be brought by the business community by the end of April against a Massachusetts statute imposing economic sanctions on companies doing business with Burma. The USG may be asked by the court to intervene. Options are being refined for further Deputies and Principals consideration.

✓ **Africa Trade Bill:** Senator Lott has informed us he will not move the Africa trade bill in the Senate unless we agree to permit the CBI trade bill to be attached to it. Sandy and I co-chaired a meeting on Friday, in which we agreed to signal to Lott we would agree to its inclusion. This will raise additional labor opposition, but the Africa bill is not likely to move at all otherwise. Lott has also suggested he wants to add fast track to the bill. We intend to try to dissuade Lott from this course, after consultations with Maschle first. Stein and others will follow up.

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Maschle

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

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April 24, 1998

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES
FROM: KATHLEEN A. MCGINTY
SUBJECT: CEQ WEEKLY REPORT

THE PRESIDENT HAS READ

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OTHER

Earth Day

Your Earth Day event at Harpers Ferry with the Vice President was widely covered by both print and broadcast media, with the picture of you and the Vice President lifting the stone slab appearing in papers across the country. The event, coming right on the heels of the Vice President's right-to-know announcement in Rock Creek Park, served very effectively to highlight our differences with Congress over the environment.

Most stories emphasized your call on Congress to approve the proposed Land and Water Conservation Fund (LWCF) acquisitions, as well as your budget requests for public lands and climate change. The LWCF message received a very solid endorsement today in a New York Times editorial (attached).

SUSTAINABLE COMMUNITIES

Environmental Justice

On Wednesday, April 22, the Vice President issued a memo to all Federal departments and agencies asking them to renew their commitment to the February 11, 1994, Executive Order you issued directing them to make environmental justice part of their mission. Many challenges remain in identifying and addressing toxic burdens and other health and environmental risks borne disproportionately by low-income and minority communities.

N There have been strong expressions of concern from community leaders that our efforts to date on the E.O. have not been sufficient. CEQ, the Office of Public Liaison, and the Race Initiative will work with all the agencies to reach out to various constituencies to identify areas where our effort can be strengthened.

4-27-98

INTERNATIONAL LEADERSHIP

Northern Right Whale

Response has been overwhelmingly positive to your decision to adopt mandatory ship reporting requirements to protect the endangered northern right whale. The announcement was the headline story in today's Boston Globe, which quoted members of the Massachusetts Congressional delegation hailing the decision as a commitment to the environment, although it also noted the Pentagon's opposition to the requirement. Environmental leaders, including the International Fund for Animal Welfare, the Center for Marine Conservation, and the Humane Society have also praised this effort.

Attachment

Environmental Stalling in Congress

To commemorate Earth Day this week, President Clinton and Vice President Gore descended on Harper's Ferry, W. Va., to promote their plan to buy up the last 33 miles of unprotected land needed to finish the 2,158-mile Appalachian Trail. This is a worthy project costing a mere \$15 million. But even this modest effort will not succeed without the consent of two powerful subcommittee chairmen, Senator Slade Gorton and Representative Ralph Regula, who are stubbornly refusing to release nearly \$700 million in land acquisition money that Congress has already approved.

Last year Congress decided to pour \$699 million into the Land and Water Conservation Fund, a long-neglected program to preserve "irreplaceable lands of natural beauty and unique recreational value." Nearly half of this money would complete two important Federal purchases — a mine site that threatens Yellowstone National Park, and the Headwaters Redwood Grove in California. But the rest of the Administration's proposed purchases are vulnerable, ranging from an acre in Martinez, Calif., where the naturalist John Muir is buried, to a 7,690-

acre ranch outside Yellowstone to provide a safe haven for bison that are currently liable to be shot when they wander outside the park. The most ambitious project would restore salmon runs in Washington's Olympic Peninsula by purchasing and demolishing two dams on the Elwha River.

Congress says it has the right to make changes in the list, but Mr. Regula's complaint is broader — that too much money is devoted to acquisition and too little to maintaining existing properties. This ignores the fund's main purpose, which is to buy properties before they disappear. For Mr. Gorton's part, he has grumbled about the plan to demolish the two dams on the Elwha, which flows through his home state.

Meanwhile not a dollar has been spent, which is dangerous because impatient owners may soon offer these properties to private bidders, inviting the ruinous development the fund is supposed to prevent. Also, the longer the money sits unused, the greater the temptation for Congress to roll it over into fiscal 1999. Messrs. Regula and Gorton should quit stalling.



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

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April 24, 1998

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES
FROM: KATHLEEN A. MCGINTY
SUBJECT: CEQ WEEKLY REPORT

THE PRESIDENT HAS SEEN

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SUSTAINABLE COMMUNITIES

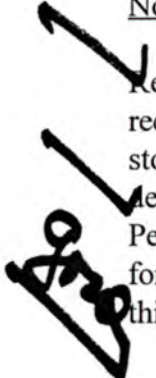
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THE WHITE HOUSE
WASHINGTON

April 24, 1998

THE PRESIDENT HAS BEEN
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MEMORANDUM TO THE CHIEF OF STAFF
FROM RAHM EMANUEL
SUBJECT WEEKLY REPORT

CRIME/DRUGS: The Speaker is planning to announce his big anti-drug policy on May 30th. In his speech he will outline the legislative agenda he will attach to any tobacco bill. I have talked to General McCaffrey about what ONDCP will be doing prior to the announcement and what he must do on the 30th. I have a copy of the GOP announcement plan and have Jose Cerda working on a one page point by point rebutal. I cannot stress to you enough the need for you to call McCaffrey and remind him that the President needs his public leadership in defense of our drug policy.

This Sunday the Justice Department is releasing a study on substance abuse among prisoners. We are preparing a statement by the President to accompany the release. The statement will stress the need for comprehensive drug testing and treatment for those in the criminal justice system.

The Supreme Court has decided to take up a Chicago ordinance that enables the police to disrupt gangs on street corners. The ACLU is opposed to the Chicago ordinance, but the Conference of Mayors and police groups support the ordinance. I happen to believe it is good policy and defensible. I would like to work with Justice on an amicus brief on behalf of the city's ordinance. An amicus brief from the administration would send a clear signal in our effort to combat gang crime and help counter any action of the GOP.

TOBACCO: In order to make progress in the Senate, I believe three things need to happen. First, to show bipartisan effort on our part, we should ask a Republican and Democratic Senator to speak at the Monday event. Second, we must call an evening meeting this week between the President, Senator Daschle and Senator Lott to discuss a host of issues, mainly tobacco. Third, we need a story about the bipartisan work being done in the House sometime before the Senate is scheduled to take up the tobacco bill. This will only lend a sense of optimism to the over-all effort and signal that the Speaker is not in control of this issue over in the House.

FRAUD: The Republicans have indicated that they plan on making fraud a major plank in their campaign strategy. Social Security has accomplished a good deal in this area especially among inmates. The President's radio address launches a new effort with Food Stamps, Veteran

benefits, and educational loans. The directive the President signed will short circuit any need for legislation.

HEALTH-CARE: Congressman Dingell has secured the support of five Republican members to co-sponsor his "Patients' Bill of Rights" legislation. I think we should bring Congressman Dingell and his new GOP co-sponsors over to the White House for a meeting with the President. Chris Jennings indicated they may even want to announce their support here at the White House.

It is my view such a meeting could serve us on a number of levels. First, it would highlight the President's ongoing work on health-care, a top priority for the American people. Two, it would broaden the President's agenda beyond issues that only affect either children or families with children. The 1998 elections will be dominated by voters over 50 and we need to keep that in mind as we focus on education and tobacco. Third, after last week, it is more important than ever that we have the President working in a bipartisan fashion.

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THE WHITE HOUSE
WASHINGTON

April 24, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN *LS*

SUBJECT: LEGISLATIVE WEEKLY REPORT

House of Representatives

1. **Emergency Supplemental:** On Thursday, April 23, the House rejected (186-222) the Democratic-led motion to instruct conferees to include the House Banking Committee-reported language allowing \$18 billion in funding for the IMF in the emergency disaster relief and defense operations bill. Speaker Gingrich has promised a vote on a second supplemental spending measure covering both the IMF and UN arrears sometime this year. The disaster relief and defense operations conference is expected to begin Tuesday, April 28.
2. **Constitutional Amendment:** On Wednesday, April 22, the House failed by 45 votes (238-186) to get the two-thirds necessary to create a constitutional amendment requiring a two-thirds supermajority vote for all bills increasing taxes. This was the third year in a row that the House has rejected the proposal.
3. **New Representatives:** On Tuesday, April 21, the House swore in two new representatives: Barbara Lee (D-CA) replaces the retired Ron Dellums (D) and Mary Bono (R-CA) replaces her late husband Sonny Bono (R). There are currently 227 Republicans, 205 Democrats, and 1 Independent in the House, with two seats still vacant: Foglietta (D-PA) and Schiff (R-NM).

The Week Ahead

The House will be in session Tuesday through Thursday with suspension bills only scheduled for Tuesday. During the rest of the week the House will consider several controversial bills, including a measure to prohibit the use of federal money in the distribution of hypodermic needles. In addition, the House will consider an Archer (R-TX) bill which would create an eight-person commission on Social Security required to report its findings by February 1, 1999. The House will also consider two education bills: the District of Columbia Student Opportunity Scholarship Act of 1997, which would provide vouchers for students to attend private schools; and the Higher Education Amendments of 1998, a bill that reauthorizes the HEA and contains several problematic provisions, including a major subsidy for banks and the elimination of the national teacher certification board. The Republican Leadership apparently intends to strip the interest rate subsidy from the bill and include it in the supplemental. The Riggs anti-affirmative action amendment is likely to be considered. In addition, the House may consider the 1998 Emergency Supplemental Appropriations Conference Report. However, this may very well fall off of the schedule.

Senate

1. **Coverdell IRA Saving Accounts:** On Thursday, April 23, the Senate passed (56-43) and sent to conference H.R. 2646, the Coverdell Education Savings Account bill, with five Democrats (Senators Torricelli, Lieberman, Byrd, Breaux and Graham) voting in support of the measure. The Administration-opposed bill would expand the size and scope of tax-free education savings accounts Congress first authorized last year. The current measure would increase from \$500 to \$2,000 the amount that parents could set aside each year for higher education as well as public and private elementary and secondary school expenses. The bill also contains a provision which would send \$10.3 billion a year of federal primary and secondary education money currently controlled by the Education Department to states in the form of block grants. The grants would allow states to decide whether to fund current federal programs, including safe and drug free schools, bilingual education, international student exchanges and school-to-work activities, or use the money elsewhere. The measure also contains a provision which would bar funding for the Administration's proposal to institute national tests in reading and math unless the tests are first authorized by Congress. You have previously stated that you would veto the bill in its current form.
2. **International Shipping:** On Tuesday, April 21, the Senate passed by unanimous consent S. 414, the International Shipping bill. The measure eliminates the requirements that ocean carriers file tariff rate increases or decreases with the government. The bill would also allow limited, confidential service contracting between shippers and common carriers so that proprietary business information would not be published. The measure has been sent to the House for consideration.
3. **Irish Agreement:** On Thursday, April 23 the Senate passed (97-0) S.Con.Res 90 congratulating the parties involved in the peace agreement in Northern Ireland and urging the Irish citizens to endorse the agreement during a May 22 referendum.

The Week Ahead

Next week the Senate is expected to conclude consideration of the conference report accompanying H.R. 1757, the State Department Reauthorization bill. The Administration-opposed measure would authorize the repayment of approximately \$819 million in U.S. debts to the United Nations. The bill includes highly objectionable language on the Mexico City issue (International Family Planning). It would also bar contributions to the U.N. Population Fund unless you certify that it has halted its family planning activities in China or that no such coercive activities occurred there the previous year. A vote on final passage of this measure is expected on Tuesday, April 28. The Senate may also consider the following: a resolution endorsing the expansion of NATO to include Poland, Hungary, and the Czech Republic and H.R. 1270, a bill authorizing an interim nuclear waste storage site in Nevada.

cc: Vice President
Erskine Bowles
John Podesta
Sylvia Mathews

THE WHITE HOUSE

WASHINGTON

April 24, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Climate Change Weekly Report

Communications

1/8/98
✓ **Networks.** We had a good week in the media. The NBC and CBS evening news on Earth Day both did substantial features keyed off a new article in *Nature* on a study showing 1990, 1995 and 1997 to have been the three warmest years since at least 1400 A.D., and the 1990s to have been the warmest overall decade since that time. The study indicated that greenhouse gases are emerging as the dominant climate force in the 20th century. Both networks used good visual footage, including the recent break in the Antarctic ice shelf. CNN, meanwhile, did an Earth Day feature showing the kinds of products people can buy to make their homes more energy efficient.

✓ **Albright speech.** *The Washington Post* ran a very good editorial today about Sec. Albright's Earth Day speech on climate change. In the speech, Sec. Albright announced a "diplomatic full court press" to encourage meaningful participation by developing countries, including the planned appointment of a special State Department Coordinator for Global Climate Change. The editorial also commended the Chile announcement, which I discussed with the *Post*'s editorial writer, Fred Hiatt, last week.

✓ **Science petition.** OSTP did good work behind the scenes with the National Academy of Sciences to beat back the Seitz petition. The *New York Times* ran a very good piece about the Academy disputing the petition (circulated by a past NAS President). The NAS noted that its most recent report on global warming, done in 1991, concluded that greenhouse warming posed a threat sufficient to merit a prompt response.

✓ **Shell Oil.** Shell announced that it was leaving the Global Climate Coalition, the major anti-Kyoto corporate coalition. *Washington Post*: "Royal Dutch/Shell Group yesterday dealt a blow to oil industry efforts to fight the Kyoto Treaty by withdrawing from a coalition of oil companies, automakers, electric utilities and others opposed to the treaty's terms for reducing global warming." Shell issued a very good statement.

✓ Domestic

5/2/98
✓ **PATH.** We are continuing work on a May 4 event for you in Los Angeles rolling out the Partnership for Advancing Technologies in Housing (PATH), pending a final go-ahead from scheduling. Note that the LA City Council is expected to pass a resolution today declaring that they are formally joining the PATH partnership.

Federal Energy. We have been working with several agencies on a federal energy plan (lighting, windows and a lot more) that I hope to have to you within one-two weeks.

Congressional

We have begun extensive staff level meetings in the House and Senate in support of our climate budget initiative, making joint visits with Treasury on the tax incentives. Sen. Bumpers and Rep. Fazio have agreed to circulate letters from Frank Raines explaining the high priority the Administration places on these budgetary requests and knocking down the bogus claim that our requests amount to "backdoor" implementation of the Kyoto treaty. We are also staying in close touch with the industries and advocacy groups most interested in our budget initiative. This week, several Republican Senators, led by Sen. Hagel, denounced Kyoto on the Senate floor. Sen. Kerry is writing an article for *Roll Call* supporting our efforts and responding to recent articles by Senators Murkowski and Hagel. On Thursday, Rep. McIntosh chaired a hearing entitled, "Kyoto Protocol: Is the Clinton-Gore Administration Selling Out America." Witnesses included Members (among them Sen. Hagel), economists, state/local officials, environmentalists and ordinary citizens. Witnesses, from EPA, Labor and DoE also testified. The hearing turned out to be more balanced than expected.

Diplomatic

G-8. There are G-8 preparatory meetings this weekend in London. Jim Steinberg and Stu Eizenstat will be negotiating climate change language as part of both the Leaders' Communique and the Statement of Foreign Ministers. We are (1) pushing for strong language on why developing countries must participate and why it is in their self-interest to do so; (2) pushing for the establishment of a G-8 working group focussing on developing countries and the so-called flexibility mechanisms in preparation for the Buenos Aires Conference in November; and (3) pushing back on language proposed by the Brits suggesting that there should be limits on international trading. There is deep suspicion in the EU that we intend to use trading to buy our way out of our obligations, doing nothing at home. That is obviously false, and it is important for us to underscore the seriousness of our commitment to taking action here at home. At the same time, it would be highly undesirable to limit trading, interfering with the efficiency of a trading system and boosting the cost of reductions worldwide. The lower the worldwide cost of reducing carbon emissions, the more carbon we'll all be able to reduce.

cc: Vice President
Erskine Bowles
John Podesta
Ron Klain
Katie McGinty
Gene Sperling
Jim Steinberg
Janet Yellen

The Washington Post

FRIDAY, APRIL 24, 1998

It's Their Climate, Too

SECRETARY OF STATE Madeleine Albright this week announced a "diplomatic full-court press" to encourage developing nations to help avert the danger of climate change. A first, uncharitable reaction might be to ask what took so long, given that combating global warming ostensibly has been a Clinton administration priority for some time now. But it would be fairer to credit the administration with gradually increasing the prominence of environmental issues in its diplomacy, and to welcome Secretary Albright's pledge of increasing attention now.

The administration last year helped negotiate and then signed a treaty committing the United States and other developed nations to sharply reduce their emissions of greenhouse gases. Those are the byproducts of burning oil, gas and coal that are accumulating in the atmosphere and which most knowledgeable scientists believe will increasingly affect the global climate in coming decades, potentially in destructive and destabilizing ways. President Clinton said, however, that he wouldn't submit the treaty for Senate ratification until developing countries also agreed to take on some responsibility.

This was a bow to political reality; the Senate has made clear it won't ratify any treaty until China, India and other powerhouses of the developing world sign on in a meaningful way.

But it is in line with scientific reality, too. America emits more greenhouse gas than China, and far more per person; but in total output, China is expected to surpass the United States within 20 years. A nation as poor as China shouldn't be expected to accept limits on its growth. But it could commit to making its energy use increasingly efficient as it grows. That would benefit not only global climate but China's environment and economy, too.

There's been plenty of room to criticize the administration for the gap between rhetoric and effort on climate change. But welcome evidence that the president is taking the issue more seriously came during his trip to Chile last week. There, he and President Eduardo Frei agreed that developed countries must set an example in greenhouse-gas reduction, but that developing countries also must play a role. They agreed that market-based mechanisms are the most efficient way to achieve their common goal, something many developing countries still balk at. At about the same time, the leaders of wealthy Japan and impoverished Russia were pledging similar forms of cooperation. Neither step offered the kind of firm commitment many U.S. senators will be looking for, but both provided encouraging evidence that developing countries are beginning to see the benefit to themselves of joining in this global effort.

NBC NIGHTLY NEWS
Wednesday, April 22, 1998

TOM BROKAW, anchor:

NBC NEWS IN DEPTH tonight, does it seem it's been warmer than usual where you live? Well, it's not your imagination. Scientists have figured out ways to trace climate changes over hundreds of years now, and their findings are out tonight. The world, in fact, is getting warmer. Our IN DEPTH report now from NBC's chief science correspondent Robert Bazell:

ROBERT BAZELL reporting:

Terrible storms, floods, heat waves: Is something unnatural really happening to our weather? The answer is yes. The study out today examines detailed records of the earth's climate for 600 years.

Dr. MICHAEL MANN (University of Massachusetts): The unusual warmth of the 20th century, and the 1990s in particular, which have been an especially warm decade, are unprecedented over a much longer period of time than we previously have been able to establish.

BAZELL: How do they know? Dr. Michael Mann and his team analyze human historical records--tree rings, glaciers, and all sorts of other evidence from as far back as the year 1400. Their conclusion: The earth has never been as warm as it is now. The reason: We burn things. And everything we burn from a match, to gasoline for cars, to coal for plants that generate electricity, pours the invisible gas carbon dioxide into the atmosphere, where it traps the sun's heat, the greenhouse effect.

Dr. MANN: This very unprecedented warmth of the 20th century had a--had a very close relationship with the increase in greenhouse gases during the past century.

BAZELL: And the problem is only getting worse. A Department of Energy report out today says greenhouse gas emissions will rise by as much as 80 percent in the next 20 years. So there seems to be little question that the earth will continue to get warmer, probably a lot warmer. But what does that mean for this environment that we all live in? Most scientists agree that oceans will keep rising, and that a warmer atmosphere will hold more water and dump more moisture in storms in both winter and summer, and those storms will get more and more severe all over the world. Of course, no single weather event can be linked to global warming, and no one can say exactly what change will strike what part of the earth.

Dr. STEVEN SCHNEIDER (Stanford University): We're performing an experiment in this lab. It's a lab, however, that happens to be earth. And it's not made up of--you know, of glass and wires; it's made up of soils and animals and insects and us.

BAZELL: Scientists say some parts of the world could actually end up much better off with more water for farming and less need for heating fuel. Other places could face sustained heat and drought. The only certainty is a rapidly changing climate. Robert Bazell, NBC News, New York.

BROKAW: The study was released today, not coincidentally, to coincide with Earth Day, which President Clinton and Vice President Gore marked by visiting the Appalachian Trail--a section of it in West Virginia. And on other side of the country, 3,000 Los Angeles schoolchildren hit the beaches to pick up litter. They're expected to haul away several tons of it.

When we come back, are you on overload? Our special series, ENOUGH IS ENOUGH. How to balance your job and your life.

Later, the legend of the USS Indianapolis. How one young boy is attempting to correct history, teaching everyone a lesson about justice.

TEXT:

Mercury Rising

The Greenhouse Effect: How does it work?

An interactive report

www.msnbc.com

CBS Evening News with Dan Rather
Wednesday, April 22, 1998

Newscaat: Researchers believe the latest read on global warming is cause for concern

DAN RATHER, anchor:

But to hear some researchers here on the ground tell it tonight, the latest read on global warming is cause for concern now and for the future. So is Mother Earth really running a temperature? CBS' John Roberts has the latest on this heated dispute.

JOHN ROBERTS reporting:

At the University of Massachusetts, researcher Michael Mann has been studying history; specifically, climate history, all the way back to the Middle Ages. And what he's announced today has added fuel to the fire in the debate over how what we burn may be affecting the environment.

Mr. MICHAEL MANN (Researcher, University of Massachusetts): We know that three years in this current decade--1990, 1995 and 1997--were warmer than any other single year back to at least AD 1400.

ROBERTS: Using natural thermometers, such as measurements of tree rings and ice cores, Mann says he has been able to calculate ancient temperatures to a fraction of a degree and found that the average yearly temperature is now two degrees Fahrenheit warmer than before the industrial revolution.

Mr. MANN: We believe we are seeing the effect of human beings on the climate of the 20th century.

ROBERTS: Scientists disagree on whether warming temperatures are part of a man-made problem or just a cycle of nature. Even Mann admits, he isn't 100 percent certain.

Mr. MANN: This isn't definitive proof, but it's a very, very strong suggestion.

ROBERTS: While a 2-degree average rise in temperature might not seem like much, it's having a profound effect. Last week it was announced a piece of the Antarctic ice shelf, the size of Washington, DC, broke off. In Alaska, where temperatures have risen 5 degrees in just the past two decades, the great Bering Glacier is slowly receding.

It will take years of research to determine exactly what's behind this trend and what, if any, dangers it might pose. But one thing is certain, the heat is on. Global temperatures for the first three months of 1998 were the warmest on record. John Roberts, CBS News, New York.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
WASHINGTON, D.C. 20502

April 24, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: KERRI-ANN JONES *K.A. Jones*
CC: ERSKINE BOWLES
SUBJECT: OSTP WEEKLY REPORT

4-27-98

*Copied
Jones
Bowles*

NATIONAL ACADEMY SCIENTISTS FIGHT BACK ON SEITZ PETITION

On April 20 the National Academy of Sciences (NAS) released a statement (attached) critical of the anti-climate change petition circulated by their former president, Frederick Seitz. NAS criticized the deceptive use of NAS style formatting and, most importantly, cited their own conclusion that: "even given the considerable uncertainties in our knowledge of the relevant phenomena, greenhouse warming poses a potential threat sufficient to merit prompt responses. Investment in mitigation measures acts as insurance protection against the great uncertainties and the possibility of dramatic surprises." Bill Stevens of the *NY Times* wrote about the unusual step taken by the staid NAS and pointed out the paper circulated with the petition had never been published or peer-reviewed (see attached article). Initial analysis of the 16,000 "scientists" on the Petition shows a clear lack of quality control -- one of the "Spice Girls" (a popular music group) is a co-signer (see attached *Washington Times* letter to the editor).

NSTC MOVES OUT ON ISSUES OF GROWING NATIONAL CONCERN

Human Resources. NSTC's Committee on Science has established an interagency working group on The U.S. Science and Technology Workforce of the Future. Eight Executive Branch agencies (DOC, DOD, DOE, USDA, NASA, NIH, NSF, and Justice) and White House Counsel's Office and DPC will participate in the working group. Their report, which will seek to identify and substantiate national needs based on the trends and demographics in the U.S. S&T workforce, including the extent of participation by minorities and women, will be completed by the end of 1998.

Bioterrorism. Several months ago NSTC established an ad hoc working group on Surveillance for Terrorist Use of Biological Agents under the auspices of its Emerging Infectious Diseases Task Force. The group was formed in response to a congressional reporting requirement and includes representatives from the public health, counterterrorism, law enforcement, counterproliferation, and arms control communities. The group is currently defining the characteristics of a domestic and international surveillance system that could provide early

4-27-98

detection of either natural disease outbreaks or bioterrorist incidents, simultaneously supporting public health, law enforcement, and national security objectives.

UPCOMING CONGRESSIONAL TESTIMONY

OSTP will testify at three hearings scheduled within the next 2 weeks:

- April 28 -- Senate Committee on Commerce, Science, and Transportation, Kerri-Ann Jones on "Increasing R&D Spending"
- May 6 -- House Committee on Science, Duncan Moore on "International Space Station"
- May 7 -- Subcommittee on HUD, VA, and Independent Agencies, Senate Committee on Appropriations, Kerri-Ann Jones on "OSTP's FY99 Budget"

We are also trying to schedule confirmation hearings in early May for Neal Lane and Rosina Bierbaum.

CLARIFICATION ON KENNEWICK MAN

Your comments on my last weekly report expressed concern about reburial of Kennewick Man's remains. We share your concern, and have every hope that the mediation set to begin in June will produce results respectful of religious beliefs and scientific inquiry. The remains currently are in safekeeping at the Pacific Northwest National Laboratory, and will stay there at least until the mediation is complete. The recent action by the Army Corps of Engineers -- to rebury the site from which Kennewick Man's remains have already been removed -- may help preserve our ability to examine that site following completion of the mediation without further losses to erosion and scavenging in the interim.

OK

Phil -

4/27/98

Should we send to anyone else?

W

**STATEMENT BY THE COUNCIL
OF THE NATIONAL ACADEMY OF SCIENCES
REGARDING GLOBAL CHANGE PETITION**

April 20, 1998

The Council of the National Academy of Sciences (NAS) is concerned about the confusion caused by a petition being circulated via a letter from a former president of this Academy. This petition criticizes the science underlying the Kyoto treaty on carbon dioxide emissions (the Kyoto Protocol to the Framework Convention on Climate Change), and it asks scientists to recommend rejection of this treaty by the U.S. Senate. The petition was mailed with an op-ed article from *The Wall Street Journal* and a manuscript in a format that is nearly identical to that of scientific articles published in the *Proceedings of the National Academy of Sciences*. The NAS Council would like to make it clear that this petition has nothing to do with the National Academy of Sciences and that the manuscript was not published in the *Proceedings of the National Academy of Sciences* or in any other peer-reviewed journal.

The petition does not reflect the conclusions of expert reports of the Academy.

In particular, the Committee on Science, Engineering, and Public Policy of the National Academy of Sciences, the National Academy of Engineering (NAE), and the Institute of Medicine (IOM) conducted a major consensus study on this issue, entitled *Policy Implications of Greenhouse Warming* (1991, 1992). This analysis, which is available on the World Wide Web at <www2.nas.edu/climate-change/>, concluded that " ...even given the considerable uncertainties in our knowledge of the relevant phenomena, greenhouse warming poses a potential threat sufficient to merit prompt responses. ... Investment in mitigation measures acts as insurance protection against the great uncertainties and the possibility of dramatic surprises." In addition, the Committee on Global Change Research of the National Research Council, the operating arm of the NAS and the NAE, will issue a major report later this spring on the research issues that can help to reduce the scientific uncertainties associated with global change phenomena, including climate change.

[This statement is available on the Web at <www.nas.edu>.]

NATIONAL ACADEMY OF SCIENCES

Council

Bruce Alberts (*president*)
National Academy of Sciences
Washington, D.C.

Jack Halpern (*vice president*)
Louis Block Distinguished Professor Emeritus
Department of Chemistry
University of Chicago

Peter H. Raven (*home secretary*)
Director
Missouri Botanical Garden
St. Louis

F. Sherwood Rowland (*foreign secretary*)
Donald Bren Research Professor of Chemistry and Earth
System Science
Department of Chemistry
University of California
Irvine

Ronald L. Graham (*treasurer*)
Chief Scientist
AT&T Laboratories
Florham Park, N.J.

Mary Ellen Avery
Professor of Pediatrics
Harvard Medical School
Boston

Ralph J. Cicerone
Chancellor-Designate
Dean, School of Physical Sciences, and
Daniel G. Aldrich Professor of Earth System Science
Department of Earth System Science
University of California
Irvine

Edward E. David Jr.[†]
President
EED Inc.
Bedminster, N.J.

Marye Anne Fox
Chancellor-Designate
North Carolina State University, and
Vice President for Research and M. June and J. Virgil
Waggoner Regents Chair in Chemistry
Department of Chemistry
University of Texas
Austin

Ralph E. Gomory^{*}
President
Alfred P. Sloan Foundation
New York City

David M. Kipnis
Distinguished University Professor
Department of Internal Medicine
Washington University School of Medicine
St. Louis

Daniel E. Koshland Jr.
Professor in the Graduate School
Department of Molecular and Cell Biology
University of California
Berkeley

Mary-Lou Pardue^{*}
Boris Magasanik Professor
Department of Biology
Massachusetts Institute of Technology
Cambridge

Luis Sequeira
J.C. Walker Professor Emeritus
Department of Plant Pathology
University of Wisconsin
Madison

I.M. Singer
Institute Professor
Department of Mathematics
Massachusetts Institute of Technology
Cambridge

Robert H. Wurtz
Chief
Laboratory of Sensorimotor Research
National Eye Institute
National Institutes of Health
Bethesda, Md.

Richard N. Zare
Marguerite Blake Wilbur Professor
Department of Chemistry
Stanford University
Stanford, Calif.

[†] abstained

^{*} unable to participate

Science Academy Disputes Attack on Global Warming

By WILLIAM K. STEVENS

The National Academy of Sciences has taken the extraordinary step of disassociating itself from a statement and petition circulated by one of its former presidents that attack the scientific conclusions underlying international efforts to control emissions of industrial waste gases believed to cause global warming.

The petition, which its backers say has been signed by 15,000 scientists, calls for the Government to reject the Kyoto Protocol, a treaty imposing limits on emissions of gases like carbon dioxide that was negotiated by more than 150 countries in Kyoto, Japan, last December.

The petition was accompanied by what appeared to be the report of a scientific study concluding that emissions of carbon dioxide, the principal greenhouse gas, pose no climatic threat and instead amount to "a wonderful and unexpected gift from the Industrial Revolution." The article was attached to a letter by Dr. Frederick Seitz, a past president of the academy and president emeritus of Rockefeller University, urging people to sign the petition and calling attention to the article.

Many atmospheric scientists and ecologists who believe global warming to be a serious threat had expressed anger and alarm over the article because it was printed in a format and type face similar to that of the academy's own journal, *Proceedings of the National Academy of Sciences*. In his letter, Dr. Seitz, a longtime skeptic on the question of global warming, also identified himself as a past academy president.

On Monday, citing "confusion" created by the petition and the un-



Marilynn K. Yee/The New York Times

Dr. Frederick Seitz, a skeptic of the global warming theory, at the Rockefeller University Hospital.

published article, the Council of the Academy, its governing board, disassociated itself from them and said in a statement that the petition "does not reflect the conclusion of expert reports of the academy."

The eight-page article accompanying the petition was described by its authors as a review of research literature on global warming. It concluded that "predictions of harmful climatic effects due to future increases in minor greenhouse gases like carbon dioxide are in error and do not conform to current experimental

knowledge." It cited increased plant growth stimulated by atmospheric carbon dioxide as a benefit.

Many scientists believe that global temperatures are rising because increasing levels of carbon monoxide and other man-made gases will trap and retain heat from the sun in a process similar to what happens in a greenhouse. They say this warming trend could cause sea levels to rise and severely disrupt the earth's climate and biological system.

Dr. Bruce Alberts, the president of the academy, said he had received a number of telephone calls from influential members of Congress about the academy's association with the petition and the article.

The "clear message," Dr. Alberts said, was that "people are confused." So the academy's governing council, in its statement on Monday, said that the petition had "nothing to do" with the academy and that the article was never published in the academy's journal.

It also noted that the most recent academy report on global warming, in 1991, concluded that "greenhouse warming poses a potential threat sufficient to merit prompt responses." This is in line with the most authoritative assessment of the question, by a panel of scientists advising the United Nations, which predicted in 1995 that the next century would bring widespread climatic displacements if the greenhouse effect was not restrained.

Dr. Arthur B. Robinson, the leading author of the article circulated with Dr. Seitz's letter, said it had been submitted for review by other scientists and for publication in a scientific journal but had not yet

An extraordinary disassociation of a scientific group from one of its own.

been published.

Dr. Robinson said he "never intended to imply" that the academy endorsed it. He also said that he "just wanted to put it into familiar format," and that he liked the academy journal's format. He noted that nowhere did the article say it was endorsed by the academy or published by its journal.

Dr. Seitz, a physicist who was president of the academy in the 1960's, said, "It's true; the academy was not involved." He also said he had urged the authors of the Robinson paper to "withdraw it" and submit it to a journal for publication.

Dr. Robinson is a physical chemist at the Oregon Institute of Science and Medicine in Cave Junction, Ore... In an interview, Dr. Robinson described the institute as "very small," and said its research was "devoted mostly to the study of biochemistry."

He said the article was circulated before it was published because the delay and copyright considerations would have prevented it from being used in petition drive.

Of the 15,000 signers of the petition, Dr. Robinson said, about 2,100 were physicists, geophysicists, climatologists and meteorologists, "and of those the greatest number are physicists."

Elvis has yet to sign the anti-Kyoto petition

W. TIMES
FRI 4-24-98

I would like to clarify your April 21 article "Foes of Kyoto treaty petition against it." You wrongly classify all 15,000 signatories of the Oregon Institute of Science and Medicine's Global Warming Petition Project as scientists when there is no proof that any are scientists.

Several members of the scientific community have looked over the signatories listed on the petition's Web site, and they did not recognize a single scientist known for work on climate change. When I looked over the list, I did recognize one name: Geri Halliwell, a.k.a. Ginger Spice of the Spice Girls. It's nice to know that today's music groups are made up of expert "climate specialists, doctors or health practitioners." Unfortunately, Elvis was nowhere to be found. But not to worry, they are still collecting signatures.

This brings up the serious issue of accountability on the part of the petition's sponsors. The names of all their signatories are listed on their Web site without title, affiliation, area of expertise or any other means of checking the validity of the names as scientists, or even as real people.

In contrast, the Scientists' Statement on Global Climatic Disruption, an unprecedented statement urging the United States to lead in the efforts to stop climate change, lists the university or other affiliation, home state and name of the scientist (as well as highest degree earned) — not just a first and last name.

It is entirely possible that the bulk of the signatories on the Global Warming Petition Project are rock stars, pets or dead relatives of the staff at the Oregon Institute.

The science commentary used in this statement is laughable. While everyone is entitled to his or her own opinion, it is important to note that the science behind this petition is just that — opinion, not fact. What is not laughable is the attempt of the Oregon Institute to pass off this petition as a legitimate ground swell of scientific opinion against acting on one of the most serious threats ever to face humankind: global climate change.

BRANDON MACGILLIS

Director of campaigns
Ozone Action
Washington

With regard to your April 21 coverage of a petition circulating against the Kyoto treaty on carbon-dioxide emissions, I write to make it clear that the National Academy of Sciences has no role in this activity.

I am concerned because the petition was mailed with a manuscript in a format that is nearly identical to that of scientific articles published in the Proceedings of the National Academy of Sciences. The petition also was accompanied by a cover note from a former president of the academy, which you mentioned in your article.

I wish to make clear that this petition has nothing to do with the academy and that the manuscript was not published in the Proceedings of the National Academy of Sciences or in any other peer-reviewed journal.

Moreover, the petition does not reflect the conclusions of expert reports of the academy. In particular, our Committee on Science,

Engineering and Public Policy conducted a major consensus study on this issue, titled "Policy Implications of Greenhouse Warming" (1991, 1992). This analysis concludes: "[E]ven given the considerable uncertainties in our knowledge of the relevant phenomena, greenhouse warming poses a potential threat sufficient to merit prompt responses. . . . Investment in mitigation measures acts as insurance protection against the great uncertainties and the possibility of dramatic surprises."

BRUCE ALBERTS

President
National Academy of Sciences
Washington

Clinton malaise

In "Earth to Mrs. Albright," you say in effect that the United States has "proven" to the world that our system of government is better than tyranny, dictatorship, fascism and communism (Editorials, April 16).

To call this country's experience "proof" of anything goes too far. Our critics can point out that as long as President Clinton remains in the White House, elected, re-elected and unimpeached, the American form of self-government proves nothing — or at any rate, nothing I would care to acknowledge.

JOHN S. MASON JR.
Alexandria

THE WHITE HOUSE
WASHINGTON

April 24, 1998

4-27-98

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MEMORANDUM FOR THE PRESIDENT

FROM: ANN LEWIS AND STACIE SPECTOR

SUBJECT: COMMUNICATIONS WEEKLY REPORT

Event Coverage

- In addition to the Summit of the Americas, your meeting with Democratic Congressional Leaders and your Earth Day event were covered widely on television, in the newspapers and on the radio.

Amplification

- **School Modernization Amendment.** We distributed information, including detailed analysis of School Modernization Amendment vs. the Coverdell bill and state-by-state breakdown of school construction bonds allocation, to a broad audience for use among constituents and networks at the local level.
- **Earth Day.** We coordinated with CEQ to work with advocacy groups to highlight Administration participation in Earth Day activities in their publications.
- **Child Care.** We are working with Congressional press secretaries to have members write op-ed pieces or letters to the editor on the issue of child care. We requested that Secretary Shalala and Secretary Herman do interviews emphasizing the importance of child care within the economy. SBA Administrator Aida Alvarez has also been asked to write an op-ed for the business trade publications.
- **Teacher of the Year.** We are working with the NEA and AFT to highlight the Administration's record on education in their next publication.

Special Projects

- Ann spoke with a number of national women leaders earlier this week, including Eleanor Smeal at the Feminist Majority Foundation, Patricia Ireland of NOW, Phyllis Segal, former chair of NOW-LDEF and Judy Lichtman.

- Ann has been working on the program for the 50th Anniversary of Israel event next Monday. The historical reflections highlight the crucial role of President Truman and American support for the new vulnerable state in 1948.

Speaking Engagements

- Ann addressed the Women's Leadership Forum twice this week at their issues conference.

Upcoming Projects

- We are working with the Democratic Congressional leadership and the AFL-CIO to develop message strategy for the Patient's Bill of Rights and Equal Pay.
- Next week we will also work on a Seniors Outreach Communications Plan including message events and targeted communications.

4-27-98

April 24, 1998

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MARIA ECHAVESTE

SUBJECT: OPL WEEKLY REPORT April 18 - April 24

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ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

CBC harshly critical of needle exchange policy and McCaffrey. On Friday, the Congressional Black Caucus, led by Congresswomen Waters and Norton, were sharply critical of the Administration's decision earlier this week not to fund needle exchange programs, drawing attention to suggestions that the policy will disproportionately effect communities of color. General McCaffrey was singled out for particular criticism and was said to have hung up the telephone on Congresswomen Waters earlier this week. Waters and Norton called for his resignation, saying his message to communities of color was: "drop dead."

School Construction. We faxed information on the School Construction legislation to 1000 national African American organizations and media outlets as well as other constituencies to encourage support for your education initiatives. We will continue to press this issue in light of the Senate vote this week.

- **Child Care.** Religious groups and their child care providers prefer the Republican approach which gives more money to families over our dependent child care credit. We will be doing follow-up on this with DPC next week.
- **Fast Track.** Agriculture groups were very pleased with your many comments on Fast Track during your Chile trip. They continue to want you to push for Fast Track authority.

Africa Trade Bill. We have tentatively scheduled a briefing with religious groups for early in May. The US-Africa Trade Policy Working Group, a broad based coalition of religious organizations, has written to the Senate Finance Committee in *opposition* to the bill. Among their concerns are development assistance and debt relief.

Bob Johnson is planning to host a meeting of approximately 150 key black business leaders in mid-May to generate support for the Africa Trade Bill. Susan Rice and Rosa Whitaker will brief the group to counter the arguments that Randall Robinson has made against the bill. We will invite Congressman Charlie Rangel and Congressman Donald Payne, so they can share their views on trade with Africa. We are also planning a briefing for religious leaders on the trade subject.

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African American
groups
to be briefed
in May
on trade bill
and other
issues
related to
the bill

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- **CEDAW (Convention to End Discrimination Against Women) Ratification.** The President's Interagency Council on Women, Office of the First Lady, NSC, and the Women's Office are meeting with domestic and international women's leaders to discuss strategy for expanding efforts to urge ratification of this treaty.

AFRICAN AMERICAN OUTREACH

Black Farmers. We met with representatives of black farmers and reviewed the proposed legislation to address the Statue of Limitations problem. While we were meeting the farmers led by Attorney Boyd, held rallies at the Departments of Agriculture and Justice. The CBC has concluded that a legislative remedy is preferable to battling it out in the courts. They are waiting for us to send the legislation which should have sign-off today. Erskine's meeting with Gingrich had an effect. On Thursday, Senator Grassley indicated he wants to help resolve the issue.

ASIAN PACIFIC AMERICAN OUTREACH

- ✓ **Appointments.** OPL met with several national Asian American leaders to discuss their concerns about judicial appointments, particularly the confirmation process of Susan Oki Mollway.
- ✓ **Asian American Health Executive Order.** OPL is working with other agencies on the Asian American Health Executive Order. Absent any difficulties, this should be completed by late May in time for you to sign it during Heritage Month. As you know, the Asian and Pacific American community is very diverse and consequently unifying issues are rare.

BUSINESS OUTREACH

- ✓ **Cuba.** This week we met with a representative from Caterpillar Inc., who had just returned from attending a business summit in Cuba hosted by USA Engage, of which Caterpillar is a member. USA Engage is an organization opposed to the use of sanctions as a tool of foreign policy except as a last resort. While focused on avoiding sanctions prospectively, USA Engage considers Cuba a symbol of the ineffectiveness of sanctions. They applaud the steps you took after the Pope's visit but now urge you to consider lifting travel restrictions as a next step in building a civil society and increasing people exchange.

ETHNIC OUTREACH

- **This week marks Armenian Remembrance day.** The community is still outraged that the Administration recognizes it as a massacre and not a genocide. They have increased Congressional pressure to recognize this tragic event as a genocide and have been able to

Mathews
Pulley
COO

Handwritten notes in the left margin, including "Black Farmers" and "Asian American Health Executive Order".

persuade Minority Leader Gephardt and Congressman Bonior to champion their cause.

Italian State Visit and the UN Security Council. With the upcoming visit of Prime Minister Prodi, the rhetoric is increasing about the US not supporting Italy as a permanent member of the Security Council if it should expand. Petitions, in excess of 100,000 names have been circulating regarding this issue. The pressure, letters and editorials will only increase in the next couple weeks. Currently, the community believes this issue will come up during the next UN session and that the White House has not taken their concerns seriously.

GAY AND LESBIAN ISSUES

Navy's settlement posture in gay computer privacy case seen as forcing an appeal, gay rights advocates warn. Congressman Frank called Vice President Gore and Deputy AG Holder to warn that the Navy's low-ball settlement offer to McVeigh will ultimately force the White House to allow an appeal or risk having to publicly order the Navy to settle. Meanwhile, McVeigh is becoming a cause celebre in gay civil rights and computer privacy circles, prompting a public re-evaluation of the don't ask, don't tell policy. The leak of Cohen's letter to Reno in *The Washington Times* generates widespread press attention in the gay media. In it he says the Navy acted appropriately and confirms his understanding that Reno will only settle on terms acceptable to the Navy and that she continues to support the policy.

cc:

Erskine Bowles
Craig Smith
Doug Sosnik
Sylvia Mathews
Sid Blumenthal
Bruce N. Reed
Mickey Ibarra

Rahm Emanuel
Michael McCurry
Gene Sperling
Thurgood Marshall, Jr.
John Podesta
John Hilley
Ron Klain

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Bowles

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THE WHITE HOUSE
WASHINGTON

4-27-98

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April 24, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra *AP for me*

SUBJECT: Office of Intergovernmental Affairs Weekly Report -- April 20 - 24, 1998

Race Initiative

- We continue to work on the Race Initiative's Day of Dialogue, which will be held April 30, and expect approximately 15 additional governors to issue proclamations along with the 17 who are participating in events.
- The National Association of Latino Elected Officials has agreed to conduct a Conversation on Race with IGA and PIR support on June 20 at their annual meeting in Houston, Texas.

Governors

- Governors Tom Carper (D-DE), Roy Romer (D-CO), Paul Patton (D-KY), and Pedro Rossello (D-PR) met today with DCOS John Podesta, OMB Director Frank Raines, Bruce Reed, Larry Stein, and other senior staff members to press their positions on ISTEAs, tobacco, Internet tax, and regulatory reform. They expressed a willingness to do whatever they could to support comprehensive tobacco legislation this year. They also reminded us of their support of ISTEAs but recognized that many projects will require multi-year funding. They are very concerned that Internet taxation legislation seems to be stalled on the Hill and asked us to consider entering the negotiations to pass a bill this year. The Vice President stopped by the meeting to address tobacco.

Governor John Kitzhaber (D-OR) feels very strongly about the choice of a new head of the Bonneville Power Authority. He is committed to a candidate and is unwilling to consider any of the candidates promoted by Senator Patty Murray (D-WA). The Governor will be in Washington, DC next week to meet with a number of federal officials on salmon issues, and the Bonneville appointment is his highest priority. In coordination with CEQ, we are helping facilitate a phone call between Governor Kitzhaber and the Vice President on this issue next week.

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- We have been working with the Office of Legal Counsel on a significant new federal effort to improve the performance of consular notifications by state and local law enforcement when foreign nationals are arrested in the United States. This is required by treaty requirements and is important for the reciprocal protection of Americans traveling abroad.
- ✓ The National Governors' Association is very interested in the Administration's current strategy regarding "fast track" trading authority. IGA is facilitating a conference call on this subject next week between Governors George Voinovich (R-OH), Tom Carper (D-DE), Gene Sperling, and other Administration officials.

Mayors and Municipal Officials

- ✓ We will host the City of Flint, Michigan, led by Mayor Woodrow Stanley (D), next week for a White House briefing. We have been facilitating a number of White House briefings for municipal delegations. The delegations typically consist of local elected officials, business leaders, and labor leaders; they are very successful, and we plan to host several more.

Indian Country

✓ We are working with several other White House staff members to develop the options that you have requested to address the many needs of Indian Country. We will proceed with plans for an event on a reservation -- we are also considering a National Day of Dialogue on Indian Country, which might include participation by the First Lady, the Vice President, and Cabinet members, an idea of DCOS Sylvia Mathews that we enthusiastically endorse.

✓ Lynn Cutler hosted a White House meeting with urban Indians. Because of the special nature of their problems, and their inability to access tribal funds, we invited representatives from HHS, the Indian Health Service, the Education Department, and others to attend. Judith Winston and Bambi Kraus from the Race Initiative staff also participated. We are going to facilitate a meeting with Secretary Shalala, Dr. Trujillo and others to specifically discuss the Indian women's health problem and welfare to work concerns.

✓ The Department of Energy (DOE) is announcing a memorandum of understanding (MOU) with the National Indian Business Association (NIBA) today, April 24. NIBA represents more than 24,000 American Indian and Alaska Native businesses. NIBA's mission is to stimulate business development and economic activity within Indian communities. The purpose of the MOU is to formalize an agreement between DOE and NIBA to develop a sustained program that will contribute to the Nation's economic development by promoting business and employment opportunities with Native

American businesses, tribal governments, and tribal members. The Department of Energy will be working with the Association to include Indian businesses in their databases, to help them establish procurement systems, and to provide them with access to national laboratories and other facilities.



ONE AMERICA IN THE 21ST CENTURY
The President's Initiative on Race

MEMORANDUM FOR THE PRESIDENT

FROM : JUDITH A. WINSTON

THROUGH : ERSKINE BOWLES
SYLVIA MATHEWS

DATE : APRIL 24, 1998

SUBJECT : PRESIDENT'S INITIATIVE ON RACE WEEKLY REPORT
APRIL 18 - APRIL 24, 1998

ADVISORY BOARD ACTIVITIES

Fair Housing Meeting. On April 23, HUD Assistant Secretary for Fair Housing and Equal Opportunity, Ms. Eva Plaza, convened a meeting on race and housing issues at Rutgers Law School in Newark, NJ to commemorate the 30th anniversary of the Fair Housing Act. Dr. John Hope Franklin, Governor Thomas Kean and I participated in an interesting and substantive panel discussion on housing discrimination and integration issues along with housing experts and practitioners from the New Jersey area. Approximately 400 people attended the meeting.

Santa Ana Community College, California. On April 20, Angela Oh spoke about the Initiative to approximately 200 people, including the college president.

OFFICE OF THE EXECUTIVE DIRECTOR

Meeting with CEA. PIR staff members met with CEA staff this week to discuss the latest draft of the fact book on race. There are currently 51 graphs on a range of issues including education, employment, housing, health and crime issues. CEA has also done a draft of the narratives to explain further the tables and graphs. CEA plans to send a more complete draft to appropriate agencies and Initiative staff for review in June.

Statewide Days of Dialogue. We continue to work with the White Office of

Intergovernmental Affairs on Statewide Days of Dialogue, which is being launched on April 30 in over 100 locations around the country. In addition to involving Governors and YWCAs, we are reaching out to Mayors and Human Rights Officials. Attorney General Janet Reno is attending the YWCA's kick-off luncheon held on Capitol Hill. Approximately six anchor events around the country will be featured, including events in Birmingham, Alabama with Secretary of Education Richard Riley; in Baton Rouge, Louisiana with Acting Assistant Attorney General for Civil Rights Bill Lann Lee; in Winston-Salem, North Carolina with Dr. Franklin; in Los Angeles, California with Angela Oh; and in Annapolis, Maryland with Governor William Winter.

York, Pennsylvania Town Hall. In response to the Initiative, the town of York, Pennsylvania held a town hall meeting on race Monday evening. The meeting was a forthright and constructive discussion of such issues as access to health care and economic opportunity, economic development and affirmative action. Panelists included local community leaders, as well as the Mayor and the County Executive. The keynote speaker was Arthur Fletcher, former Chairman of the U.S. Civil Rights Commission.

San Jose Meeting Follow-up. Attached is a copy of Dr. Franklin's letter to you, on behalf of the Board, reporting on the San Jose meeting in February on Race and Poverty.

FEDERAL AGENCY ACTIVITIES

Department of Treasury

Partnership with Hispanic Federal Employees. On April 21, the Department of Treasury signed a partnership agreement with the National Association of Hispanic Federal Employees.

Department of Health and Human Services

Minority Health. On April 24, the Congressional Black Caucus held a brain-trust forum on minority health. The Administrator of Health Resources and Services Administration addressed the forum on health professions training programs.

Department of Housing and Urban Development

Fair Housing Act. On April 21, Secretary Cuomo moderated the fourth Community 2020 seminar, "Thirty Years of Fair Housing: Many Neighborhoods, One America." Martin Luther King III, President of the Southern Christian Leadership Conference; Emanuel Cleaver II, Mayor of Kansas City, MO; and Nancy Denton, Professor of Sociology at the State University of NY in Albany examined the history and role of the Fair Housing Act and the work that remains to be done to realize Reverend Dr. Martin

Luther King, Jr.'s vision of a society, and housing industry, free of prejudice and bigotry.

National Conference of Black Mayors (NCBM) Partnership. On April 17, Secretary Cuomo and the NCBM President Emanuel Cleaver signed a partnership agreement pledging HUD and NCBM to work together on a broad range of economic development and housing initiatives to benefit America's cities. The agreement includes provisions requiring HUD to provide up to \$200,000 in technical assistance services to help NCBM and member mayors benefit from participation in the HUD's programs.

Mortgage Loans. On April 21, Secretary Cuomo announced that SFM Mortgage Corporation has agreed to target \$42.5 million in home mortgage loans to minorities and low- and moderate-income families in the Dallas-Fort Worth area of Texas over the next three years to settle accusations of lending discrimination. HUD estimates that more than 760 minority and low- and moderate-income families will receive mortgage loans and become homeowners as a result of the agreement.

Department of Energy

Meeting with the Presidents of the Historically Black Colleges and Universities. On April 25, Secretary Peña will meet with five presidents of the HBCU/Minority Institutions Environmental Technology Consortium. The meeting will reinforce DOE's commitment to involving HBCUs and other minority educational institutions in its mission-related programs. The HBCU/MI Consortium is one of the most significant consortia funded by DOE. The 17-member consortia of institutions are well known for their significant role in training and educating the nation's minority technical workforce.

Department of Veterans Affairs

One America Conversations. On April 15, VA's Federal Youth Task Force representative visited Georgetown Preparatory School and met with five classes of seniors to discuss race, ethnicity, and cultural diversity issues. The students have been following the Initiative and were eager to take an active role in the One America youth outreach effort. On April 30, a selected group of these students will represent Georgetown Preparatory School at the Veteran Administration's One America Youth Town Hall Meeting.



ONE AMERICA IN THE 21ST CENTURY

The President's Initiative on Race

*The New Executive Office Building
Washington, D.C. 20503
202/395-1010*

APR 23 1998

President William J. Clinton
The White House
Washington, DC 20500

Dear Mr. President:

I am very pleased to provide you with an overview of the key issues and recommendations which emerged from your Advisory Board's meetings in Northern California on the subject of Race and Poverty. In this letter I provide an overview of our key policy observations and attached to the letter is more detailed description of the presentations made to us as well as the promising practices we visited. We also attach a particularly compelling, concise assessment of poverty issues among American Indians and Alaska Natives prepared for us by one of the panelists.

On February 10th, we visited several promising practices organizations around the Bay Area and also convened a lively Community Forum where residents from the San Jose community shared their race-related concerns and recommendations with the Board. On February 11th, we convened two panel discussions with national and local experts on the subject of the relationship between race and poverty and their views on policy needs in this area. We were pleased that the Administrator of the Small Business Administration, Ms. Aida Alvarez, was able to provide the keynote address for this day. Each of these meetings and activities involved a candid exchange of views and clear expressions of the deep concerns which the closely linked issues of race and poverty arouse in our fellow citizens. While there is much more that we need to research about race and poverty issues, I will briefly highlight some of our key findings as well as share some broad recommendations. I attach a more detailed staff report of the proceedings in San Jose for your information.

From the different sources of evidence presented, it is clear that poverty plays a powerful and significant role in the continuing economic disparities of different racial groups. While current economic growth has been an important stimulus to reducing the number of unemployed poor, many are not skilled or equipped to take advantage of these opportunities. In addition, racial segregation in housing continues to be a basis for the perpetuation of poverty, making it a more potent problem for racial minorities than for whites. While whites are nearly half of all the

poor people in the U.S., minorities are more likely to be poor than whites. The circumstances influencing the level of poverty experienced by American Indians, Asian Americans, Latinos and African Americans differ depending on a range of factors such as immigration status, degrees of discrimination, level of access to political and economic power, and historical conditions.

Indeed, we have a deeper appreciation for the complex relationship of race and poverty with a web of other public policy issues involving welfare, housing, transportation, child care, employment and actionable discrimination. Because of the difficulty in disentangling the variety of causes of poverty with overarching race issues, we find that the solutions to these problems are equally complicated and present enormous policy challenges for the Administration. Because we are not policy experts in this area of poverty and economic development, we offer here some broad suggestions for consideration by you and your policy advisors:



We must take advantage of the current economic boom to educate, train and place as many people as possible in the new technologically-driven economy. Most fundamentally, effective public education is the basic equalizer and the most enduring long term solution. However, current programs which move people from welfare to work, create incentives for companies to train inner city unemployed, and stimulate investments in community development are also key strategies in this effort. We recommend that the U.S. Department of Housing and Urban Development (HUD), which has already begun important initiatives such as the Economic Empowerment Zones, partner with the U.S. Departments of Labor and Education to create an interagency response team to better coordinate existing programs and to further recommend concrete actions plans in areas such as urban and rural school district's provision of technology training for adults, community economic partnerships, and minority and small business development, before Fall, 1998, to ensure that these plans be considered for the FY 2000 budget deliberations.

These plans must be multi-dimensional to incorporate a wide range of solutions, such as linking educational and economic development opportunity zones, expanding access to higher education from underserved communities, and linking, even on a demonstration basis, programs such as housing vouchers, child care services and employment training, in addition to the ultimate goal of getting people jobs at a 'living wage'. Evidence and testimony we received on continuing trends of income inequality in the country is a disturbing pattern if, as we suspect, it serves under certain conditions to exacerbate racial and anti-immigrant tensions. It is clear that the policy approaches to address such structured inequality are beyond the scope of this Advisory Board but are issues which we hope that your Administration could address, for example, through further research and analysis at the Departments of Labor and Treasury.



It also became clear during our meetings that future plans and programs need to have a specific focus on people who are living in *concentrated poverty* - people who are much more likely to be minorities. Programs designed to reduce such concentrations of poor

minority families clearly will have to be developed with sensitivity to local conditions, an awareness that local non-profit organizations are far more likely than a government agency to know how to redress local grievances and racial tensions, and an awareness that many such local groups are hungry for examples of promising practices to emulate. Institutionalizing the process that helps identify and communicate, or disseminate, such practices is one of the major legacies we hope that you will leave behind.

Our visits to promising practices programs in the Bay Area (Start Up in East Palo Alto, Oakland Citizens Committee for Urban renewal and Asian Neighborhood Design in Oakland, and Glide Memorial in San Francisco) provided unique opportunities for the Board members to see concrete programs helping people overcome economic and social hardships. These visits gave us insights on the importance of local design, customer focus and self-responsibility as important elements of success (consistent with our earlier suggestion). As you know, there are many more of these innovative programs across the country which experiment with new strategies to help the poor. However, local organizations are not always in the best position to share or replicate their successes elsewhere and could always use a helping hand from government. We therefore recommend that you issue an Executive Order asking relevant Cabinet Departments to produce an annual report on Promising Practices which help reduce racial and economic disparities and inequality to clearly signal that the Federal government can play a strong leadership role to close the opportunity gap but still encourage maximum participation from local and private sector participants. We believe that this idea is consistent with your vision for and emphasis on the promising practices project of the Race Initiative.

- ✓ The need for strong local control of problems of poverty and "race" are nowhere more apparent than in Indian Country. It is here that policies must allow local people to invest in themselves and to see the returns in the short run. Given the unique legal and historical circumstances and problems for American Indians, we recommend that additional measures be developed to account for the critical differences between American Indian poverty concerns and those affecting the other sectors of the country. We recommend that this concern needs to be highlighted by you in your final report and clearly communicated to the Bureau of Indian Affairs.

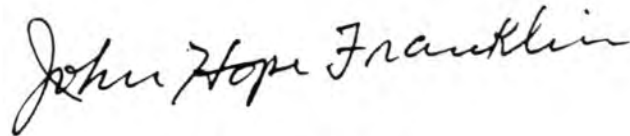
- ✓ It is clear to us that racial discrimination and segregation continue today to paralyze its victims and are a contributing factor in the persistence of racial poverty differentials. We recommend that strengthened civil rights enforcement must continue, consistent with your FY 1999 budget proposal which requested a 17% increase overall for several Federal enforcement agencies. Vitally important in this effort is a long term research agenda to document discrimination and its deleterious effects on racial minorities, in particular, and on society as a whole and to prominently publicize the impact and persistence of such discrimination at a time when many white Americans do not believe discrimination exists as a major factor limiting the opportunities of minorities. One outcome of the President's Initiative on Race would therefore be a commitment by the

Federal government, in cooperation with private sector groups, to conduct periodic audits of actionable discrimination in such areas as education, hiring, housing, and credit markets and to announce the results of these studies on a biennial basis as Citizens Indicators of Racial Disadvantage. Such baseline and periodic audits of the forms and levels of discrimination would serve as a continuing reminder that African Americans, Latinos, Asian Americans, and American Indians are not making it up when they cry 'racism'. The experience of racism may differ for each group - but its harmful effects are no less odious.

We, of course, recognize that it will take time, money, vision, commitment and cooperation amongst all societal sectors to eliminate concentrated poverty that has been decades in development. Nevertheless, we believe that aggressive government actions, including well designed programs, structured tax policies, and strong enforcement against discrimination, combined with significant and innovative private sector efforts, are necessary conditions for achieving a strong American economy and community. We urge you therefore to continue to use your considerable powers to shift the tide for these under-served citizens, many of whom also suffer from the legacy of racism, to ensure that they are able to vigorously participate in your vision of One America in the 21st century.

My best wishes.

Yours truly,

A handwritten signature in cursive script that reads "John Hope Franklin". The signature is written in dark ink and is positioned above the printed name and title.

John Hope Franklin
Chair

Attachments

Attachment

Overview of Advisory Board Meetings in Northern California: February 10-11, 1998

The Advisory Board held meetings on February 10th that involved both Promising Practices and then a Community Forum. On February 11th, the Board held a meeting with two panels of experts to discuss national and local issues involving race and poverty. The following section address these two days of events in chronological order.

February 10: Meetings with Effective Promising Practices:

We visited four promising practices sites: Glide Memorial United Methodist Church in San Francisco, the Oakland Citizens Committee for Urban Renewal and Asian Neighborhood Design in Oakland, and Start-Up in East Palo Alto. We were greatly impressed by the energy and creativity with which community organizations attack problems of household and neighborhood based poverty. In every instance there was a clear recognition of the need to empower clients with the tools and know-how to take responsibility for their own economic future and a clear sense that local, neighborhood based programs are best suited to find the correct mix of staff, programs, and resources to match the shifting mix of needs and opportunities in the local community. There is also an honest recognition, among almost all of the organizations' leaders we spoke with, that they have not found all the answers; that their programs are not designed to be effective for everyone. This conclusion suggests the need for Congress and the Executive Branch to be willing to experiment with demonstrations and initiatives, such as those illustrated in Promising Practices, to learn how to best address persistent and concentrated poverty in both urban and rural America.

In East Palo Alto, for example, the non-profit organization, Start-Up, works in close collaboration with the School of Business at Stanford University to help train low-income residents from the area to become business owners and entrepreneurs. This teamwork includes a combination of fourteen days of training, one-on-one tutoring by Stanford personnel, and privately funded grants of up to \$5,000 for each person who graduates from the program and who seeks to start their own small businesses with a sensible business plan. Roughly a dozen or so small companies have been helped to start since the beginning of the agency in 1994 and there are many more are in the pipeline of assistance. This has been accomplished even though up to half of the program's participants have had significant problems with alcohol or drug dependence and others are making the difficult transition from welfare to work.

This form of non-governmental micro-credit investment, while quite familiar in developing countries, appears to be flourishing in East Palo Alto and is, we find, a helpful if struggling model for others who might create such partnerships. We commend this organization to you for inclusion in your final report as an illustration of what we mean by a promising

practice.

This group has succeeded in identifying and using private funding and training skills, plus the need to involve local residents in the planning process, as the keys to replicating and expanding this "model" program. There was, for example, strong encouragement given for various tax credits and supports for corporations to provide philanthropic support for such micro-credit development programs. Such financing is critically important because many, if not all, of the clients for such programs bring with them damaged or limited credit histories that prevent them from obtaining funding from regular lending institutions or from SBA.

Community Forum:

During our Community Forum on February 10th, over 500 residents crowded into our meeting hall to both listen intently to each other and to address their concerns to the Board. We had a robust dialogue about the issues of race and poverty especially as it impacted the residents and communities in the Bay Area. We were reminded that even with the growing economy in the San Jose area, powered by one of the main economic engines of the State - Silicon Valley - that there was rising economic inequality. By one estimate, nearly 40 percent of the jobs in the greater San Jose area will not lift a family out of poverty in a community where modest rental units rent for \$1,000 and the average price of a home is over \$300,000.

There could, of course, be no immediate resolution of the complex issues of concern to our audience but it is a sign of notable progress that a number of community leaders told us that the dialogue we stimulated on February 10th will be followed by other discussion forums to be held after the Board's departure. We consider this a considerable benefit and a clear recognition that the vision of a continuing national dialogue is both much needed and much wanted by local communities. There was a clear thirst for further conversations about the racial and economic issues that affect people's lives, schools, jobs, and neighborhoods. The changing demographic circumstances in the San Jose area will continue to confuse, frustrate, and stimulate the community and we believe that further dialogue and action will follow as a result of the Race Initiative.

February 11th: Panel Meetings on Race and Poverty:

Key Discussion Questions:

There were three major sets of questions which we used to focus discussion at our meeting:

- To what extent are poverty and race related? Is there a link between race and concentrated poverty?
- What are the main causes of continuing and concentrated poverty among whites and

minorities? Does discrimination continue to affect opportunities for minorities to move out of poor, segregated neighborhoods? What are the connections between racial isolation and poverty and how can we alter the negative aspects of these connections?

- What governmental and non-governmental programs and policies are most effective in addressing minority group poverty and racial segregation? What gives you, the experts, hope?

Major Findings from Panel Discussion:

On February 11th, we began our meetings with a spirited, analytic discussion of Race and Poverty issues with a panel of experts (moderated by Professor Manuel Pastor), including William Julius Wilson, Douglas Massey, Robert Woodson, C. Matthew Snipp, Raquel Rivera Pinderhughes, and Tarry Hum.

There was initial agreement that the powerful rate of economic growth has done a great deal to overcome the legacy of imbedded poverty and despair, with many long term unemployed and impoverished individuals returning to the work force often for the first time in a long time.

We were also reminded that while in the 1950s the African American poverty rate was close to 60%, and less than 20% for whites, this gap declined up through the mid-1990s. As of 1996, for example, while 11 percent of white persons were poor, 28% of blacks, 29% of Latinos, 27% of American Indians, and 14.5% of Asians lived in poverty.

Despite the higher relative rates of poverty for minority groups it is also useful to remind the American people, as many easily forget, that nearly half of all the poor people in the United States are white. As of 1996, whites (non-Hispanics) constitute 45.1 percent of the nation's poor while blacks are 26.5 percent and Hispanics 22.4 percent. It is the multi-racial nature of poverty that constitutes a basis for constructive conversations about multi-racial policies and programs.

The worry, of course, is that if labor markets again become slack that many of the newly engaged workers will become disconnected once again from our economic mainstream. There is also a concern that all too many jobs - while employing an individual full time - will not lift them out of poverty. It appears a necessary strategy, for the short run, to take advantage of the current economic boom to reach out to, educate, train, and place as many people as possible for positions in the new technologically-driven economy as additional efforts aimed at welfare to work transition are put into place along with your commitment to ever higher minimum wages.

As Professor Wilson argued (and elaborated in his book, *When Work Disappears*), the structural transformation of our economy has, and will continue to mean, decreased demand for certain types of unskilled workers and the lack of access to jobs for many inner city residents who live in "jobless ghettos." These major social and economic dislocations and restructuring cut minorities off from job networks making it almost impossible for them to find able employment.

Trends in Income Inequality:

Adding to the difficulty of addressing issues of poverty are the long-term trends in income inequality in the United States, as noted in chapter four in the 1997 *Economic Report of the President*. The report, for example, notes that problems of inequality have been worse for blacks than for Hispanics or whites. It appears that the recent rise in incomes has largely benefitted those already well-off leaving the poorest 20 percent worse off rather than better. The Census Bureau, for example, reported in 1997 that the country's poorest 20% had a drop in income - the rich are getting richer and the poor poorer. These large-scale, macro-economic patterns are of sufficient concern to the Board for us to suggest that the Administration initiate a long-term discussion among senior policy makers and Congressional leaders, as well as the private sector, on potentially available means to reduce the extremes of this persistent pattern of inequality that so notably limits this country's ability to reduce systemic poverty.

The Role of Race and Segregation:

There will, of course, continue to be some disagreement about the extent to which racial discrimination and segregation compound the problem of spatially concentrated poverty in our country. These concentrated pockets of poverty and unemployment are compounded by the persistence of the segregation of many poor minority residents into isolated and stigmatized neighborhoods.

We also found that there are strong commitments of virtually all persons of color to the American goals of economic success and progress for themselves and their children. It is also clear that racial discrimination need not paralyze its victims since victims of discrimination often believe that they are more likely to succeed than are those who need not fight discrimination. This does not lessen the need for strengthened civil rights enforcement but suggests that many Americans have learned to overcome this handicap and adjust to its hateful effects - a remarkable commendation to the character of our people.

We found no easy answers - nor did we expect to. But we did find compelling evidence about the complexity of these issues as well as the need for continued honest debate about the necessary balance between race specific policies and programs and those which highlight and concentrate upon only economic or "class" issues. Most panelists agreed that racial and ethnic discrimination continues to play a major role in limiting people's ability to function in many areas of social life.

The fused character of race and poverty leaves an enormous policy challenge for the Administration. It was clear from the evidence and testimony presented to the Board that as these problems have been decades in their development it will take the patient cooperation and hard work of the private sector, local residents and the Federal government to help find the combination of programs, tax policies and incentives, and voluntary efforts to eliminate concentrated poverty.

The Negative Effects of Segregation:

Another argument we heard, from some journalists and social commentators, is that segregation of ethnic and racial minorities is really not all that bad. Some minority groups flourish because of the close ethnic and immigrant ties and assistance that they find in these enclaves. However, we are impressed by recently released research (by Drs. Cutler and Glaeser at Harvard), which shows that the effects of segregation - at least for black Americans - is almost all bad. Increases in residential racial isolation, including limited contact with whites, leads to a variety of bad outcomes including: reduced earnings, higher rates of high school drop-out, "idleness", and increased chances of becoming a single mother.

There Are Key Differences Between Racial Groups:

We also received considerable evidence and argument from our panels of experts that the problems affecting the broad categories of "Asian/Pacific Islanders Americans", "American Indians" or "Hispanics" are in fact experienced quite differently by the various ethnic sub-groups which make up these Census categories. Not all Hispanics or Asian-Americans, for example, experience poverty equally. Puerto Ricans and Dominicans, for example, experience patterns of racial segregation and "underclass" poverty similar to those of blacks but which other Hispanics groups, such as Mexicans, Central Americans, and Cubans do not. Among Latinos, Puerto Ricans had the highest rate of poverty in 1990: 38%. Asian-Americans too are quite heterogeneous, with important cultural and economic differences between ethnic sub-groups. Many refugees - such as Vietnamese and Hmong - are indeed among the poorest in America. Again, we found no simple path to generalizations as not all of the recent growth in poverty is due to immigration; roughly one-quarter of native-born Latinos are poor as of the latest census.

The reasons for these differences and patterns are not however clear even to well-recognized experts. It is my hope and expectation that this issue can be addressed in more detail by the experts commissioned by the National Academy of Science to assist in preparing research summaries for the overall Initiative effort.

American Indian Issues:

While we did not convene a meeting with regional American Indian tribal leaders due to the pressures of time, we had several experts who appeared before us who offered extremely useful evidence and arguments. Once again we had testimony on the importance which sovereign status plays in American Indians' judgement that one of the major forms of racism that American Indians experience is a result of the lack of respect, in both the public and private sector, for their governments. Attached is a short paper provided to us by an American Indian social scientist, Professor C. Matthew Snipp of Stanford University, who served as one of the panelists. He offers clear affirmation in this short essay of the critical differences between American Indian poverty concerns and those affecting other sectors of the country. The fact that poverty and unemployment often affect 40 to 50 percent of the American Indians living on reservations or

tribal lands represents a major continuing source of frustration and a continuing policy opportunity for all of the Federal agencies charged with delivering housing, development, and social services to Indian country.

Race Based Anti-Poverty Policies and Choices:

There is a tendency for debate about the causes of poverty to resolve into the simple question of whether individuals or society are responsible. We hear voices, such as those of Charles Murray and Larry Mead, who argue that welfare and the Great Society programs encourage blacks to become dependent on public assistance - with chronic poverty the result of the poor's reluctance to commit themselves to work. The persistence and concentration of poverty can lead to values, attitudes, and behaviors among minorities that make them more prone to crime, welfare dependency, and chronic joblessness. Indeed, many Americans view the problem of poverty in concrete, graphic terms: it is the black slums of cities like Chicago, Newark, Detroit, and Philadelphia - and it is the faces of black drug addicts and welfare mothers that many see as the racial face of poverty in the 1990s in America. However, important research by Drs. Kathryn Eden and Laura Lein (*Making Ends Meet*) reveals that the "the reality of economic life among unskilled and semiskilled mothers is sharply at odds with the perceptions held by most citizens." Welfare families did not, they find, use their welfare payments for drugs, and leave their children "huddled in filthy unheated hovels" but spent the bulk of their time and social resources to make ends meet by finding cash and non-cash forms of assistance for themselves and their children. There are undoubtedly cases in which poor work habits exist as a result of poverty. The objective should be to try to reduce these habits to a much smaller scale and to help the American public have a clearer, more factually-based view of the poor living among them.

Not all of the issues we faced resulted in a desire for more studies or further analysis. One of the experts with whom we met, Robert Woodson, President of National Center for Neighborhood Enterprise, provided a number of useful comments regarding how essential it is to craft anti-poverty strategies that permit the poor to "invest in themselves". Many Federal programs have seemed to damage the very communities they set out to help, although it is clear that the Federal government no longer supports the worst of these, such as early urban renewal programs. Central to this new generation of programs is the need to have the residents of these local communities directly involved in the planning process, much as the U.S. Department of Housing and Urban Development's Comprehensive Plans for their Community Development Block Grant program requires citizen input. Such requirements should be strengthened to ensure an appropriate balance of low-income residents' and their organizations' input into local plans and even program oversight.

The Role of Community Social Capital and Additional Resources:

There was some disagreement even among the experts of the extent to which additional resources are key to solving the problems of racial impoverishment. At its heart the solutions to

poverty and race are both very simple and very hard - a good education and a good job are keys to its elimination, or at least to its substantial reduction.

It was often noted by experts who spoke with us that the current minimum wage will not lift a family out of poverty, as it did in earlier years. Producing decent paying jobs that are also of good quality is a policy direction towards which agencies engaged in job training initiatives should devote careful attention. For some of our panelists, it is necessary for there to be additional resources to address educational deficits which exist in many inner city schools whose role is to teach the children of poor families. For others, one of the critical limitations of Federal policy is that it ignores opportunities to promote small businesses within the minority poor communities of our cities. Small scale vending operations and other micro-development projects should be initiated as part of every cities' overall economic development plan for them to receive Federal grants. Such a "small business" orientation would ensure that a balance of both services and *assets* be part of categorical and block grant planning requirements.

We recommend, as one vantage point to more carefully assess policy options, the establishment of a White House task force involving those Federal agencies engaged in addressing various aspects of the anti-poverty problem to have them carefully and jointly assess and evaluate which of these current programs, or those programs which have recently lapsed, have proven utility in successfully reducing poverty on a sustained basis. They should, of course, use available data to assess whether programs are equally effective for all minority groups and, if they are not, to seek answers to the question of why they are not succeeding.

This cross-agency evaluation would also assess how better to coordinate or integrate local level programs so that tools managed by differing agencies could have a better, cumulative impact when targeted in tandem rather than in isolation. SBA, for example, should be commended for their recently initiated set of programs designed to reach out to the Hispanic and African-American communities and to develop more flexible and simpler loan products. Some linkage of these initiatives to other credit development options appears a useful next step for many communities. The programs themselves need not be formally integrated (as in Model Cities) but local communities could received planning funds that would enable them to jump-start a more aggressive, comprehensive planning process that involves local agencies, lenders, local corporations, unions, and churches so that the full weight of local "social capital" will be brought to bear on these problems.

In addition, we commend the notion of Community Empowerment Funds to help provide capital to fund businesses and to create jobs in inner city neighborhoods. HUD's FY 1999 budget requests \$400 million for this initiative and we would hope that this initiative would be funded for several years at the full amount requested and then evaluated to assess its impact in job creation for the minority poor. Another exciting effort which our experts mentioned is HUD's and the Department of Transportation's (DOT) "Bridges to Work" program which facilitates access by inner city poor and public housing residents to suburban job opportunities. This program, as well as DOT's proposed FY 1999 "Access to Jobs" initiative, will address the

glaring separation of the unemployed and poor from areas of employment growth, which is critical part of the problem of persistent poverty.

All of these programs need to be designed and implemented in consultation with heads of non-profit organizations dealing with poverty problems and neighborhoods on a daily basis. This advisory panel should help ensure that programs are developed with sufficient sensitivity to the growing diversity of our populations's in need. In one building in a poor neighborhood in San Francisco for example, 17 languages are spoken and the program staff (of the Chinatown Community Development Center) convene neighborhood meetings ensuring that at least three to four language translations are available. It will take a great deal of sensitivity and hard work to address such diverse needs and yet programs developed in Washington should be a model for incorporating multi-cultural sensitivities into job training and anti-poverty programs.

Inevitably there are major issues and questions which our day long meeting could not fully address, including what governmental and non-governmental programs and policies are most effective in addressing the links between race and poverty and how much more needs to be done, by whom, to significantly reduce race-based poverty. We also did not have enough time to compare current policy and budgetary options with the policy recommendation which the Kerner Commission made thirty years ago. We have however made a beginning and look forward to learning more as we meet over the next six months with more Americans concerned about their racial and economic futures.

Letter Attachment

STATEMENT TO THE ADVISORY PANEL FOR THE
PRESIDENT'S INITIATIVE ON RACE

C. Matthew Snipp
Professor of Sociology

Stanford University

February 11, 1998

Statement presented to the Advisory Panel for the President's Initiative on Race at
Independence High School, San Jose, CA.

INTRODUCTION

Mr. Chairman, members of the Committee, it is my great pleasure to appear before you in this panel discussion. I was pleased, and flattered to be invited to participate in this meeting.

I am even more pleased to see that Native Americans—American Indians and Alaska Natives—have not been overlooked in this important conversation about that you have undertaken about race in American society. The voices of Native Americans are seldom heard in forums such as this one for a variety of reasons.

- We are few in number. There were about 2.0 million Native Americans counted in the 1990 Census; about 0.5% of the total U.S. population.
- Unlike other minorities, we are dispersed in cities.
- About half of our people live in isolated rural areas, far away from media exposure and the public eye.
- Many assume that American Indians are a "Vanishing Race." But after 500 years of steady decline, American Indians are now more numerous than perhaps at any time in this nation's history.

In a dialog about the connection between race and poverty in this country, it is absolutely imperative that the voices of Native Americans be heard, their experiences acknowledged, and their problems understood. To do otherwise would be to add yet another gross injustice to an already sordid history of relations between the government of the United States and the first settlers of this land. In a dialog about the connection between race and poverty in this country, there are at least two pressing reasons why the experiences of Native Americans are noteworthy and deserve careful deliberation. One is that American Indians are among the poorest of the poor in our society. As every bit of available data can show, there are few groups who are as poor or poorer than Native Americans. During the decade of the 1980's, a time when most other groups enjoyed modest improvements in their standard of living, the position of American Indians actually declined. The other reason that Native Americans deserve attention, is that as a people, we are unique in ways that differentiate us from every other ethnic minority community in American society.

Native Americans are unique in ways that set us apart from the rest of this society. Time does not allow a detailed and exhaustive enumeration of the myriad differences that separate the experiences of American Indians from the experiences of most other ethnic minorities in America. However, in thinking about the relationship between race and poverty, in connection with Native Americans, three points are essential to remember.

- The “centrality of place” in the socioeconomic well-being of American Indians.
- The special legal and political status of American Indians.
- That the experiences of Native Americans defies the conventional wisdom about the causes and consequences of poverty.

THE “CENTRALITY OF PLACE”

“Indian Country” is more than a metaphor; it is a physical place, statutorily defined in U.S. Code, 18 U.S.C. Sect. 1151. American Indians were once an autonomous, self-governing, self-sustaining, and utterly self-reliant people. “Indian Country” represents the places where the remainder of that autonomy is still practiced. It is “home” for about 1.0 million Native Americans who live on reservations, trust lands, or Alaska villages. It is “home” for about another 1.0 million who live in cities around the nation.

Beyond its legalities, it is important to understand that “Indian Country” represents places that are essential for the very survival of American Indian people. These places are essential because rooted deeply within their lands are the history, culture, and traditions that define the lives of American Indians. They provide the fundamental structure for the everyday lives of the people who live there. Take away these places and you take away the history, culture and traditions of Native people-- and quietly, you have assured their destruction. There is no other group in American society for whom land is as important, plays as large a role in their well-being, and who values it as much as Native Americans. Most Americans, regardless of their race, may change their job, their school, their church, or their community. For Native Americans, you are born to the land of your people, and that does not change for the duration of your life.

THE UNIQUE POLITICAL AND LEGAL STATUS OF NATIVE AMERICANS

“Indian Country” is not just a physical place with territorial limits defined in law. It is also a place in the socio-political landscape of America. American Indians possess a unique political and legal status unlike that of any other ethnic minority in this country. It is impossible to fully explain here the significance of this status—a peculiar kind of dual citizenship that entails many complexities. Nonetheless, the special political and legal status of Native Americans is founded within the Commerce Clause of the Constitution. It is institutionalized in Supreme Court decisions and federal law. It is implemented by a federal bureaucracy under the Executive Branch. And it is exercised daily in tribal life throughout Indian Country.

The special legal status of American Indians also entails a special relationship with the federal government. In simple terms, one aspect of this connection is typically described as a government-to-government relationship; in recognition of the limited political autonomy exercised by Native American communities. This recognition has been affirmed by every president since Richard M. Nixon. Bill Clinton affirmed this doctrine in early days of his first term as president.

Another aspect of the relationship that exists between Native American communities and the federal government is technically (and paradoxically) described as a "trust" relationship. The federal government holds in trust for Native Americans land titles, cash accounts, and other assets that are worth perhaps billions of dollars. Again, it is impossible to fully recount here all of the events and circumstances that have made this relationship possible.

However, it is important to remember that this relationship exists, and that it entails a host of special obligations and debts to Native Americans on the part of the federal government. These obligations were incurred by the federal government when American Indians agreed-- often under duress--to surrender their autonomous self-sustaining existence, give up their land, and settle in the shadows of their former lives. The obligations of the federal government to American Indians were incurred when American Indians agreed to exchange their self-reliance for the economic poverty which still today afflicts everyday life in these communities.

NATIVE AMERICANS AND THE CONVENTIONAL WISDOM ABOUT POVERTY

In popular and academic forums on the subject of poverty, or race and poverty, the experiences of American Indians seldom receive much notice. This is understandable for the reasons I have mentioned already. This is also understandable because the experiences of Native Americans offer a disconcerting counter-factual example to dispute most of the popular thinking bandied about concerning the causes and consequences of poverty. In particular, the centrality of place in Native American well-being, and the special legal status of American Indians are not just interesting twists and turns to be accounted for in social scientific theory; they are the intellectual equivalent of "dead-man's curve." In the context of Indian Country, these factors make most of the conventional wisdom about race and poverty appear irrelevant, if not altogether bizarre.

In anticipation of this meeting, the panelists were asked to ponder a number of issues related to understanding the origins and outcomes of poverty. Most of these questions were in one way or another related to the spatial mismatch of jobs and workers, and the role of residential segregation in creating and exacerbating this mismatch. While these issues are perhaps appropriate for understanding concentrated poverty in urban areas, I am doubtful about their value for explaining poverty in Indian Country. I am even more skeptical about their potential for yielding meaningful policy strategies for Indian Country. A few examples may illustrate my reasons for skepticism.

Desegregation: Few Americans realize that the federal government undertook a massive program of desegregation on reservations and the Indian Territory (now Oklahoma) beginning in the 1890's and continuing into the 1930's. This is often overlooked because the desegregation was inadvertent and unintentional.

In the 1890's the federal government established a plan known as "Allotment" which would assign tracts of real estate in fee simple title to American Indians. Once this land was assigned, the remainder was to be auctioned to the public. The proceeds of these sales were placed in federal trust. The Allotment programs over a period of forty years caused tens of thousands of acres of Indian land to be sold to the public. They also enabled thousands of American citizens to move into Indian Country, and thereby desegregate communities that once had been highly segregated. Today, there are some reservations with more non-Indian residents than Indians. If there is a moral to this story, it is this: desegregation under Allotment, and the presence of Euro-Americans did little to change the economic fortunes of American Indians. If anything, the land lost during allotment was a massive hemorrhage of tribal wealth and contributed further to the emiseration of Native Americans.

Spatial Mismatch: If you believe that this is one of the root causes of poverty, a logical question to pose is: is it better to move jobs to people, or people to jobs? In the context of Indian Country, there is a lot of empirical evidence that can be brought to bear on this topic. And the answer to this question is most likely: "neither."

By now, it should be obvious that "moving people to jobs" is simply an unacceptable, untenable policy option. The centrality of place in the lives of American Indians makes this tantamount to a plan for community annihilation insofar as it means the loss of the most able members of the tribe. Left behind by such a plan are those too young, too old, or too feeble to pursue work elsewhere. Under this plan, Indian communities risk becoming concentrated holding areas for their most dependent members. Nonetheless, this policy was tried in the 1950's and 1960's. During these years, over 100,000 American Indians participated in the Bureau of Indian Affairs' Urban Relocation programs. The Urban Relocation programs did little to improve the aggregate economic standing of American Indians. Their singular lack of success and debilitating impact on tribal communities caused them to be scaled back in the 1970's and eventually phased out of existence.

"Moving jobs to people" is a more viable strategy for the long term vitality of Indian Country but this policy option has a record of mixed success. Drawing conclusions about the successes and failures is difficult to do, as each community has special extenuating conditions that either facilitate or hinder economic development. Consequently, the literature on American Indian economic development is largely a body of case studies that defy easy generalization.

The Loss of Community: Another line of thinking is that areas of concentrated poverty develop when they are abandoned by the middle class. The middle class, in this line of reasoning, is a repository of moral authority which upholds values related to honesty, the work ethic, and good character. When the middle class abandons a community, it is left without a moral compass and deteriorates into a chaotic lawless condition.

In the context of Indian country, this argument is virtually devoid of historical validity. Quite simply, in most parts of Indian Country, there was never a middle class to lose. Furthermore, in many if not most tribal cultures, elders and spiritual leaders provide moral leadership and often as not they are the poorest members of the community.

In Indian Country, the implied moral decline associated with concentrated areas of poverty is nothing less than an insult and racial slur.

CONCLUSION

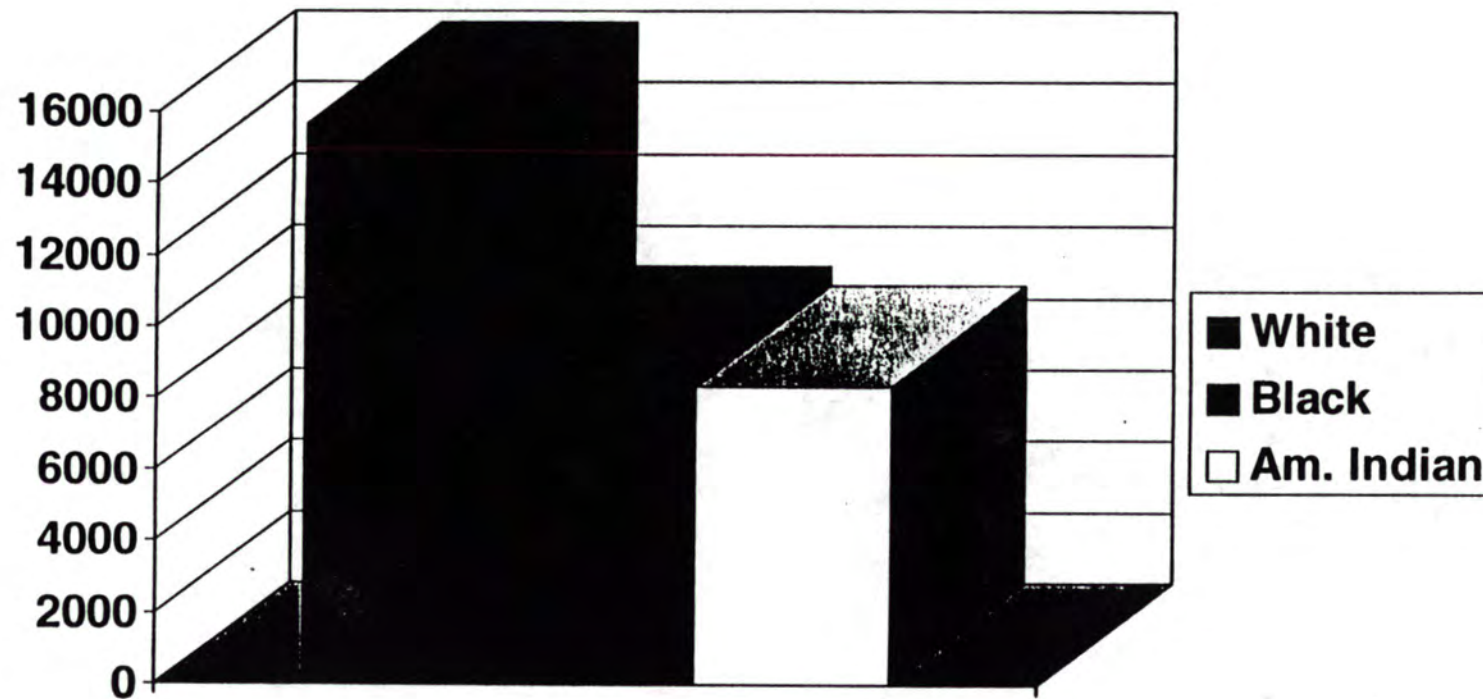
I hope these comments has given the president's advisory panel food for thought as it deliberates the nature of race and poverty in American society. In closing, I would like to make a suggestion, an invitation, and perhaps a challenge.

Given the distinct position of Native Americans in our society, and given the unique problems of race and poverty in Indian Country, I would like to encourage to give more thought to these difficult issues.

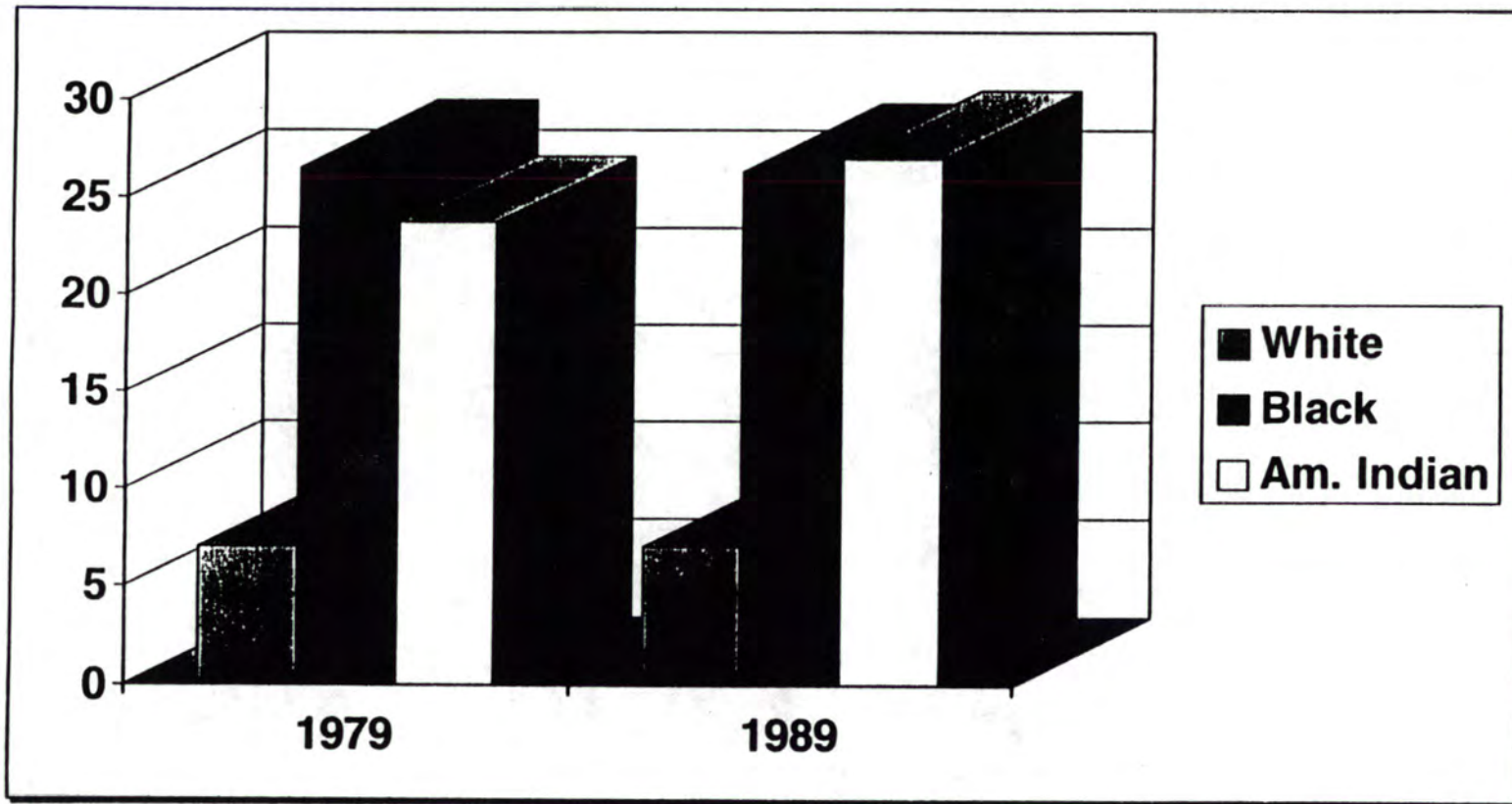
I also would like to encourage and invite members of the president's advisory panel to pursue these issues by visiting and meeting with our tribal leaders.

The time for this dialog is long overdue.

Per Capita Income in 1989



Percent of Families Below Poverty: 1979, 1989



THE WHITE HOUSE

WASHINGTON

4-27-98

April 24, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. T.M.

SUBJECT: Summary of Cabinet Weekly Reports
April 18 - 24, 1998

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DEPARTMENT OF TREASURY

- **Special Meeting of Finance Ministers and Central Bank Governors:** On April 16, Secretary Rubin and Chairman Greenspan hosted a special meeting of 22 countries, comprised of the G-7 and key emerging and transition economies, following up on your pledge in Vancouver last November to convene a global group to consider the implications of Asian crises. There was a general consensus on the need to: 1) improve the quality of data available to the public; 2) strengthen supervision of financial institutions in both emerging market and advanced economies as well as more systematic multilateral surveillance of financial systems; and 3) develop mechanisms so that private investors bear more fully the consequences of their actions.
- **Interim Committee Meeting:** On April 16, Secretary Rubin attended the Spring meetings of the IMF's high level policy group, known as the Interim Committee. Among the issues discussed were ways to strengthen the architecture of the international monetary system, the world economic outlook, and progress under the HIPC initiative. The Committee also adopted a code of good practices on fiscal transparency, and asked the IMF to continue its work on an amendment of the Fund's Articles of Agreement to make the liberalization of capital movements one of the main goals of the IMF.
- **Development Committee:** On April 17, Deputy Secretary Summers and Under Secretary Lipton attended meetings of the Development Committee, where Finance Ministers supported the efforts of the IMF, World Bank, and the Asian Development Bank to restore confidence in Asia and to help address the social consequences of the crisis, including strengthening social safety nets and improving labor standards. The Finance Ministers urged the World Bank to act in the next three months to resolve the conflict between declining World Bank net income and rising demands for its use.

- **Poland:** On April 17, Under Secretary Lipton chaired the final meeting of the Operating Committee of the Polish Bank Privatization Fund (PBPF), a multilateral fund formed in 1992 under U.S. leadership to which ten countries have contributed. The PBPF was designed to help Poland privatize its commercial banking sector. The Committee adopted a Treasury recommendation to disburse the remaining \$443 million in PBPF funds, including a \$218 million U.S. share. The decision to disburse the Funds came after Poland sold majority government shares in six key banks; the private sector now controls two-thirds of commercial bank capital.
- **U.N. Crime Commission:** On April 20-May 1, representatives of Treasury's Office of Enforcement, ATF, and Customs will join the U.S. Delegation attending the UN Seventh Commission on Crime Prevention and Criminal Justice in Vienna, Austria. The representatives will discuss a possible UN Convention on Organized Crime, a firearms protocol strengthening law enforcement to combat the problem of transnational illicit trafficking in firearms, protocols related to stolen vehicles, a U.S.-sponsored resolution on trafficking in women and children, a computer crime provision, intellectual property rights violations protection and other, prospective convention attachments.

DEPARTMENT OF JUSTICE

- **DEA Employee Released:** On April 5, DEA foreign service national Ayyaz Baluch was released from custody in Rawalpindi, Pakistan, where he had been serving a five-year sentence. Baluch had been arrested nearly one year ago by Pakistani military authorities because of alleged criminal activities arising out of a DEA undercover operation in Islamabad. The unexpired portion of his term was remitted by the PAF Chief of Staff, who cited "compassionate grounds" set forth in a mercy petition filed by Baluch's wife.
- **Fifth Amendment Privilege:** In U.S. v. Balsys, DOJ contends that the fear of prosecution by a foreign country, standing alone, does not implicate the Fifth Amendment privilege against compelled self-incrimination. DOJ argued that the text and purposes of the Fifth Amendment suggest the privilege is limited to the risk of domestic prosecution and that the extension of the Self-Incrimination Clause to fears of foreign prosecution would have serious consequences for domestic law enforcement.
- **Medicare Provision:** On April 14, a judge granted DOJ's motion for summary judgment and dismissed a constitutional challenge to a newly enacted provision of the Medicare Act that limits the ability of physicians to provide Medicare-covered services on a private contractual basis. Section 4507 of the Balanced Budget Act of 1997 allowed physicians and Medicare beneficiaries to contract privately for services otherwise covered by Medicare. The court rejected plaintiffs' claims that Section 4507 violated their constitutional right to privacy, holding that the Supreme Court has never extended the substantive due process doctrine to include the right to contract privately with physicians.

4-27-98

DEPARTMENT OF INTERIOR

- **Ward Valley:** On April 14, three members of the CA State Legislature Leadership sent a letter to Secretary Babbitt requesting a halt to all activities concerning Ward Valley. An internal CA legislative staff analysis found that the CA Department of Health Services (DHS) did not have the authority to enter into a contract to purchase Ward Valley from the Federal government and that the method of payment contemplated for the purchase is "a flagrant effort to bypass the Legislature's appropriation power." DOI's Solicitor has sent a letter to the State asking them to address the issues raised by CA's Legislative Leadership.
- **U.S. Virgin Islands:** FEMA may invoke the Debt Collection Act because the U.S. Virgin Islands have failed to pay over \$29 million (plus interest) for a loan to cover damages caused by Hurricane Hugo. FEMA informed the Office of Insular Affairs that it does not have the authority to forgive, cancel, or waive any portion of this loan. The U.S. Virgin Islands also has a large outstanding loan from Hurricane Marilyn.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Midwest Flooding:** Recent heavy rains across much of the Midwest have forced area rivers above flood stage and are leading to lock closures and navigating accidents on the mid-Mississippi River.
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- **North Korea Aid:** USDA will purchase an additional 7,000 metric tons of bulk rice for delivery to a U.S. port by May 20. This is part of its emergency humanitarian food assistance to North Korea, under Public Law 480 Title II. North Korea has received nearly one-third of the 200,000 MT allocated for this fiscal year.

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DEPARTMENT OF COMMERCE

- **Special 301:** On April 30, the results of the Special 301 review of foreign government intellectual property practices will be announced. Agencies are addressing the proposed status of Mexico and South Africa. The International Trade Administration's Trade Compliance Center is working on a press release and announcement cables to embassies, which will be circulated for interagency clearance.
- **U.S.-Japan Enhanced Initiative on Deregulation:** On April 14, DOC co-chaired expert-level consultations in Washington, DC on Japanese deregulation of medical devices and pharmaceuticals under the Enhanced Initiative. DOC pressed Japan aggressively for additional action on USG deregulation priorities in the medical/pharmaceutical sector before the Birmingham G-7 Summit. On April 16, DOC participated in U.S.-Japan discussions regarding the specific additional Japanese deregulation measures that the USG views as necessary for a successful deregulation package. Under Secretary Aaron will urge further Japanese deregulation measures in bilateral meetings on the margins of the OECD later this month.
- **President's Export Council Subcommittee on Encryption (PECSENC):** On April 23, PECSENC held its second meeting, chaired by Joe Adorjan, Chairman and CEO of Borg-Warner Security Corporation. The Subcommittee fulfills an October 1, 1996, commitment by you and the Vice President to establish a formal mechanism to provide industry, users, and state and local law enforcement with the opportunity to advise the U.S. Government on the future of commercial encryption policy.

DEPARTMENT OF LABOR

- **Northwest Airlines:** At Northwest Airlines, frustration is growing among the carrier's 6,000 pilots over the slow pace of bargaining and a management proposal that some of them accept a ten percent pay cut to allow the formation of a low-cost "airline within an airline." On April 15, the Air Line Pilots Association mailed strike authorization ballots to its members which must be returned by mid-May. However, a work stoppage cannot occur prior to the exhaustion of the Railway Labor Act's dispute resolution procedures.
- **Welfare-to-Work:** On April 15, the second round of solicitations for welfare-to-work grants was announced in the *Federal Register*. The grant competition seeks to encourage communities to develop results-oriented ways to help long-term welfare recipients acquire the skills, work experience, and resources they need to find and keep unsubsidized employment. A total of \$368.25 million is available for competitive grant awards in FY98 and \$343.25 million in FY99. Within the next week, DOL plans to announce formula grant approval for AR (\$8,490,290), AL (\$13,977,955), DE (\$2,761,875), and GA (28,409,496) for FY98. This money is part of the \$2.2 billion available nationwide in state grants to local communities.

- **Social Security:** On April 28, Secretary Herman will attend the Social Security Medicare Commission Meeting in Washington, DC.
- **Commencement Address:** On May 3, Secretary Herman will be the Commencement Speaker at Lincoln University, in Lincoln, PA.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Acute Lymphoblastic Leukemia (ALL):** NIH's National Cancer Institute (NCI) will release a report in the May issue of *Epidemiology* concluding that it is unlikely that magnetic fields from household electrical appliances increase a child's chance of developing ALL. ALL accounts for 70-80 percent of all childhood leukemias and one-third of all childhood cancers in the U.S. Only a small percentage of cases of ALL have a known cause. Scientists speculate that the magnetic fields from electrical appliances are unlikely to increase the risk of childhood ALL.

MO Medicaid Approval: During the week of April 27, HCFA will approve two proposals from the State of MO: the Children's Health Insurance Program (CHIP) proposal and a section 1115 proposal. These proposals would expand Medicaid eligibility to Missourians in families with incomes up to 300 percent of the Federal poverty level (FPL).

- **"Take Time to Care":** On April 29, Secretary Shalala will welcome participants from national organizations representing women, health, specific disease, and ethnic groups to a briefing on FDA's "Take Time to Care--Use Medicines Wisely" program. This program is a grassroots public awareness campaign primarily directed at women over 45, particularly those who are under-served, to help them learn more about important medication issues. The National Association of Chain Drug Stores (NACDS), as part of its partnership with FDA, has adopted the Take Time to Care program. NACDS is printing and distributing the program's brochure in 3,500 stores and has produced a television public service announcement by the First Lady.

FDA-MO Partnership to Protect Children: On April 21, FDA signed a contract with the State of MO to enforce FDA's regulation that prohibits retailers from selling cigarettes and smokeless tobacco products to children under 18. MO is the sixth state to partner with FDA for such inspections in 1998.

- **Stroke Risk Factors:** The first study in *JAMA* shows that there is a lack of public knowledge about the risk factors for and symptoms of stroke, especially among those in the highest risk group, those over 75.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Urban and Rural Empowerment Zones:** On April 16, the Vice President announced a nationwide competition to designate 20 new Empowerment Zones to create jobs and business opportunities for residents of economically distressed parts of urban and rural America. The Vice President, who chairs the Community Empowerment Board, announced the plan in an address to the National Conference of Black Mayors meeting in New Orleans.

- **Empowerment Zone Workshops:** Cities seeking to apply for Empowerment Zone designation have until October 9 to develop and submit comprehensive revitalization strategies. A critical component of the application process is a dialogue that pulls communities together to devise a vision for the future, approaches to resolve tough problems, and the development of new partnerships.

- **Homeownership:** On April 21, Secretary Cuomo announced that the U.S. homeownership rate rose to 65.9 percent in the first quarter of 1998, up slightly from the rate of 65.7 percent in the fourth quarter of 1997. The new Census Bureau figures show that a record 67.96 million American families now own their own homes, more than ever before in American history. The number of families owning their homes rose from 67.42 million in the last quarter of 1997.

- **"Officer Next Door":** For the week ending April 17, HUD accepted 78 sales contracts and closed 31 deals on HUD-held properties to police officers under the "Officer Next Door" program. These additions bring the total number of contracts to 1109 and closings to 672. HUD's "Officer Next Door" program is an anti-crime and community revitalization initiative that enables police officers to purchase HUD homes at a 50 percent discount.

DEPARTMENT OF TRANSPORTATION

- **Colombia Air Crash:** On April 20, a Boeing 727 operated by TAME, an Ecuadorian Airline with a code sharing agreement with Air France, crashed into a mountain 3 minutes after takeoff from El Dorado Airport in Bogota, Colombia. The 43 passengers and ten crew received fatal injuries. The DGAC of Columbia is investigating the accident with assistance from the NTSB.

- **Tower Airlines Turbulence Incident:** On April 18, thirty-seven passengers and one flight attendant were injured when a Tower B-747 encountered turbulence inbound to JFK Airport in NY from Paris. The aircraft landed at JFK without further incident.

- **Open Skies Agreement with Korea:** On April 22-23, negotiations aimed at concluding an Open Skies agreement with Korea took place in Seoul.

- **Russia Aviation:** On April 21-23, civil aviation negotiations between the U.S. and the Russian Federation were held in Washington, DC. This was the second round of talks held since the May 1997 expiration of the Air Transport Agreement's Annexes, which provided the underlying basis for air service.
- **Open Skies Agreement with Peru:** On May 7, negotiations will resume in Lima. The objective for these talks is to expand air services to Peru, preferably by concluding an "Open-Skies" agreement.
- **South FL Hazardous Waste Case:** On April 16, Izhak Ponie was charged by a Federal grand jury in Miami with knowingly transporting six drums of toxic, ignitable waste and disposing of them at an illegal site. Ponie's accomplice, John Martin, was charged with illegally disposing of the hazardous waste. The investigation was conducted by DOT's Office of Inspector General, the EPA's Criminal Investigation Division, and the FBI.

DEPARTMENT OF ENERGY

- **Turkmenistan Bilateral:** On April 22, Secretary Peña met with Turkmenistan President Niyazov to sign a framework agreement to formalize energy bilaterals. The primary topic of discussion during the bilateral was the development of a trans-Caspian pipeline route. President Niyazov signed an agreement during the visit with the Trade Development Agency to fund a feasibility study of the trans-Caspian pipeline due to be completed by the end of 1998.
- **International Energy Outlook:** On April 22, the Office of Integrated Analysis and Forecasting released the *International Energy Outlook 1998*. This annual report presents an assessment of the outlook for international energy markets, extended for the first time to 2020. The IEO98 projects a 75 percent increase in energy consumption over the 1995-2020 time period, driven, for the most part, by demand increases in the developing economies, particularly in developing Asia where, despite the recent economic recession, energy use is expected to nearly triple. In the IEO98, world carbon emissions exceed 1990 levels by 44 percent in 2010, and by 81 percent in 2020.

DEPARTMENT OF EDUCATION

- **Shorter College:** DOEd has placed on hold the payment account for Shorter College in Little Rock, AR. The College owes DOEd a balance of \$62,804 and will lose its accreditation on May 16.
- **America Reads:** This summer, DOEd will have at least one Read*Write*Now! pilot site in every state. The sites are linked to Corporation for National Service (CNS) programs, Even Start and Head Start sites, colleges and universities, and Bureau of Indian Affairs schools. CNS will hold training conferences for site directors in late April and mid-May.

VETERANS AFFAIRS

- **MiniLABMOBILE:** Invented and developed by a team of three employees at the Albany, NY, VA Medical Center, the miniLABMOBILE brings modern healthcare to veterans in under-served areas of the Northeast. The travelling mini-laboratory has made 20 trips to provide free cholesterol screening and blood testing, as well as health lifestyle counseling, for 748 veterans since April 1996. Approximately 80 percent of these veterans had never used the VA healthcare system or had not visited a VA facility in over three years. Members of the team are being recognized with a Scissors award.
- **"Office of the Future":** An examination room development project has been initiated to create a better patient clinical environment while enhancing provider productivity. The research project, "Office of the Future," will study two specially designed and equipped examination rooms and one pre-exam room located within a clinic at the VA Medical Center in Baltimore. The project will last 12 months and include an evaluation of patient and provider satisfaction. VA is collaborating with a consortium of medical equipment and computer manufacturers.
- **"One America":** On April 15, in support of your Race Initiative, VA's Federal Youth Task Force representative visited Georgetown Preparatory School to discuss race, ethnicity, and cultural diversity issues. On April 30, a selected group of students will represent Georgetown Preparatory School at the VA's One America Youth Town Hall Meeting. On April 17, VA also presented briefings at Holmes Middle School in Alexandria, VA.

ENVIRONMENTAL PROTECTION AGENCY

- **Napalm Shipment:** EPA is working with CEQ and DoD to resolve issues surrounding the removal of 23 million pounds of Vietnam War-era napalm from southern CA. EPA remains prepared to work with the Navy to address any potential environmental issues as soon as the Navy determines how it will proceed with the removal and disposal of the napalm.
- **Motor Vehicle Standards:** The Clean Air Act (CAA) requires EPA to evaluate the need for more stringent emissions standards for cars and light-duty trucks. The CAA requires EPA to evaluate whether stricter standards are needed to attain air quality goals, are technologically feasible, and are cost-effective. EPA findings suggest that it will be difficult to meet federal air pollution health standards without further reductions in tailpipe pollution. EPA's study also finds that technologies for additional tailpipe emissions reductions will be available and that such improvements are likely to be cost-effective. EPA expects to issue the study for public comment soon.

UNITED STATES TRADE REPRESENTATIVE

- **WTO Case against the EU:** The U.S. has informed the EU that USTR will file WTO complaints against tax practices in several of the EU member states because the EU has not withdrawn their WTO challenge against U.S. tax treatment for U.S. Foreign Sales Corporations.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Methadone:** On April 27, representatives from HHS, DOJ, and VA will brief Director McCaffrey on the progress of efforts to reform regulations for narcotic treatment programs. Making proven modalities, like methadone, more accessible is a priority of the *National Drug Control Strategy*, because of its potential impact on the dual epidemic of drug abuse and HIV/AIDS. Reforms are designed to reduce burdensome regulations, enhance treatment quality, increase accessibility, and make effective use of existing capacity.
- **Interdiction Coordinators:** On April 30, Director McCaffrey will host an Interdiction Field Commanders Breakfast being held in conjunction with the quarterly J3/USIC Counterdrug Conference to be held in the Pentagon. Presentations will be made to Admiral Kramek in appreciation of his service as the U.S. Interdiction Coordinator and Commandant of the Coast Guard. Admiral Kramek is retiring after 37 years of Coast Guard Service and four years as USIC.

SMALL BUSINESS ADMINISTRATION

- **Association for Enterprise Opportunity (AEO):** In a speech before the AEO, an association of microlenders based in Chicago, Administrator Alvarez announced her intention to sign an MOU with AEO outlining joint efforts to increase lending to minority- and women-owned businesses. Administrator Alvarez announced that she was inviting AEO Chairwoman to sit on the SBA's National Advisory Committee.
- **Disaster Loans:** Since the start of the fiscal year through April 20, SBA has approved 15,534 new disaster loans for \$372 million, which has resulted in \$386.1 million in obligated funds.

OFFICE OF PERSONNEL MANAGEMENT

- **Reinvention Revolution:** At the National Partnership for Reinventing Government's *Reinvention Revolution* Conference, Director Lachance announced the establishment of OPM's "One call does it all" service, for people with questions regarding human resource or personnel issues.

- **Volunteerism:** On April 22, OPM issued guidance explaining and amplifying your memorandum to heads of agencies, encouraging and making it easier for federal employees to volunteer.

UNITED STATES INFORMATION AGENCY

- **Summit of the Americas:** The foreign press was divided in its assessment of the second Summit of the Americas. Some welcomed the agreement on the creation of a Free Trade Area of the Americas as "significant" and "historic," but more remained critical of the fact that you lack fast track authority. Business/financial Buenos Aires Economico asserted that, absent "fast track," the free trade baton has shifted into other countries' hands, leaving the field open to multilateral initiatives and Mercosur, the Southern Cones Trade bloc. As a result, while a few analysts judged that you had made an effective display of U.S. leadership with your firm endorsement of democracy and initiative on education, a majority concluded that Washington's "influence" over Latin America had suffered a setback. In Santiago, however, editorialists voiced their appreciation for your visit, statements on democracy, and effort to improve bilateral ties with Chile.

GENERAL SERVICE ADMINISTRATION

- **Boston Courthouse:** GSA is working with the courts and others on plans for the upcoming dedication of the new Boston Courthouse at Fan Pier in September. Media briefings and editorial boards are planned for next month.

SOCIAL SECURITY ADMINISTRATION

- **Retirement Research Consortium Program:** On April 16, SSA published a *Federal Register* notice requesting applications for a cooperative agreement to establish a Retirement Research Consortium. The Consortium will be comprised of two university-based multi-disciplinary centers that will conduct research on retirement policy, educate scholars and practitioners, and promote sharing of SSA administrative data.
- **Social Security and the Stock Market:** On April 22, the Senate Special Committee on Aging held a hearing on investing Social Security funds in the stock market. The Committee will examine proposals that would allow some Social Security funds to be invested in the stock market, either by the government directly placing a portion of the Social Security trust funds in the market or by allowing individuals to invest a designated percentage of personal accounts in the stock market.

cc:

The Vice President

Ersine Bowles

Paul Begala

Sandy Berger

Sidney Blumenthal

Maria Echaveste

Rahm Emanuel

Mickey Ibarra

Janis Kearney

Ron Klain

Neal Lane

Ann Lewis

Sylvia Mathews

Michael McCurry

Katie McGinty

Mack McLarty

John Podesta

Franklin Raines

Bruce Reed

Craig Smith

Doug Sosnik

Gene Sperling

Larry Stein

Melanne Verveer

DEPARTMENT OF INTERIOR

- **Ward Valley:** On April 14, three members of the CA State Legislature Leadership sent a letter to Secretary Babbitt requesting a halt to all activities concerning Ward Valley. An internal CA legislative staff analysis found that the CA Department of Health Services (DHS) did not have the authority to enter into a contract to purchase Ward Valley from the Federal government and that the method of payment contemplated for the purchase is "a flagrant effort to bypass the Legislature's appropriation power." DOI's Solicitor has sent a letter to the State asking them to address the issues raised by CA's Legislative Leadership.
- **U.S. Virgin Islands:** FEMA may invoke the Debt Collection Act because the U.S. Virgin Islands have failed to pay over \$29 million (plus interest) for a loan to cover damages caused by Hurricane Hugo. FEMA informed the Office of Insular Affairs that it does not have the authority to forgive, cancel, or waive any portion of this loan. The U.S. Virgin Islands also has a large outstanding loan from Hurricane Marilyn.

UNITED STATES DEPARTMENT OF AGRICULTURE

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THE WHITE HOUSE
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April 24, 1998

MEMORANDUM TO THE PRESIDENT

FROM: Jennifer Palmieri *JP*

SUBJECT: Outstanding Scheduling Issues

Video for the CNN World Report Conference

You had expressed an interest in taping a video greeting for the CNN World Report Conference in Atlanta, GA on May 6-9. The Press Office offered CNN the opportunity to receive this video greeting. CNN appreciated the offer, but declined it as a video greeting would not fit their program.

Announcement of the Naming of the USS JIMMY CARTER

Just this afternoon, we received a invitation from DOD asking that you attend a "naming ceremony" on **Monday** announcing that the next Seawolf will be named the USS JIMMY CARTER. **The NSC and Senior Staff recommend that you regret this invite.** As you will recall, you informed President Carter when you met with him in June that the next Seawolf would be named for him. President Carter has not requested your attendance at the naming ceremony.

Are you ok regretting this invite?

Yes No **Export-Import Bank 1998 Annual Conference**

There has been a request for you to speak at the 1998 Export-Import Bank Annual Conference on Thursday, May 7 or Friday, May 8. You are currently scheduled to participate in a meeting with mayors on public schools on May 7, and to travel to Delaware to address the State Legislature on Class Size on May 8. Per your notes on this week's scheduling decisions memo, we are exploring the possibility of you addressing the Arab American Institute's Annual Leadership Conference on one of these days.

Both the NEC and Erskine feel that it is not necessary for you to attend the Export-Import Conference.

Are you ok with us regretting the invitation for you to speak at the Export-Import Annual Conference?

Yes ☒

No ☐

• **United Nations General Assembly Special Session on International Drug Control**

John Podesta and Sandy Berger have indicated to us that you would like to confirm your attendance at the UN Special Session on International Drug Control on June 8. Subject to your approval, we will announce your attendance at this session on Monday, April 27. The proposed schedule would be for you to address the UN in the morning, attend a previously scheduled lunch for Rep. Barbara Kennelly in Connecticut and a DCCC dinner in New York.

We understand that you expressed an interest in meeting with President Cardoso of Brazil surrounding this special session in New York. We are working with the NSC to schedule such a meeting.

Are ok with confirming your participation at the UN Special Session on International Drug Control on June 9 in New York?

Yes ☒

No ☐

• **Arlington National Cemetery Ceremony Commemorating the 10th Anniversary of Pan Am 103**

The NSC has requested that you attend a ceremony on December 21, 1998 at Arlington National Cemetery to commemorate the 10th anniversary of Pan Am 103. As you may know, many of the families of the victims of Pan Am 103 would like for you to visit Lockerbie during you May trip to Europe. Therefore, Sandy Berger would like to announce your attendance at this ceremony before your departure for Europe in May. Since the 21st is so close to Christmas, we checked the date with the First Lady's office and the Social Office, and they have nothing planned that would conflict with this event.

Are you ok with announcing your attendance at the December 21, 1998 ceremony at Arlington National Cemetery?

Yes ☐

No ☒

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