Chron

Stagg Sec

Frederic R. Harris, Inc.
1555 Poydras Street
Suite 1860
New Orleans, LA 70112
Phone: (504) 529-4533
Fax: (504) 522-2085

'98 JUL 2 AM 9:11

HARRIS

June 19, 1998

7/2/98
Send to ~~Bruce~~ ~~Lindsey~~ Burkhart for reply

Yes ______

Coord with Lindsey/Hernreich

no ______

President Bill Clinton
Attn: Nancy Hernreich
Office of the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500-0200

Dear Mr. President;

It is my hope that you will continue to do well in all personal and national matters.

Frank Gehry, the architect and good friend, called me after having dinner with you and Ms. Clinton at the White House the night before last. Frank is a great American architect and he and I have worked together for many years.

Frank and I feel very strongly that an architectural competition for the Clinton Library would preclude the opportunity for you to work with the architect from the very beginning of the project so that the selected design includes your concept and ideas of what the library should be, otherwise you will get a designer "cookie-cutter" library building. Think for a moment of President Thomas Jefferson's involvement in public architecture and the wonderful legacy he produced, and the intimate roll Mrs. Kennedy played with the architect in the design of the JFK Library.

Frank and I are interested in a collaboration with you and your family as part of a planning and design team from start to finish.

Sincerely,

To Bruce Lindsey per his office
8/3

Robert Tannen

cc: Frank Gehry

8-3-98

Brucel/Reed Mr. President Clinton
— Youth violence letter from Oregon
— cc: Hore

Dan Burkhardt:
Please coordinate
the reply.

Mack McLarty

copies
Reed
Emanuel
COS

June 1, 1998

Dear President Clinton:

Thank you very much for your kind words directed to Thurston High School after the shooting May 21. We also appreciate your interest in our views on protecting schools from violence. Being on the front lines, we teachers are in a unique position to recognize troubled students and to possibly prevent tragedies before they happen. But recent events show that schools have little control after a student is suspended or expelled. Furthermore the network of those who could do something is fragmented, so that the right hand does not know what the left hand is doing. Consequently I'd like to propose additional changes urged by teachers, parents and those directly involved.

I believe I am in a particularly good position to represent the issues and facts. As a teacher I have reported gun possession and even confiscated weapons, so I know how the reporting system does and does not function. As a relative of Mikael Nickolauson and colleague of the Kinkel's, I know both a victim and the perpetrator. As a parent, I want students to have rights, but also to be protected from those who are prone to violence.

So how do we prevent this tragedy from occurring again?

1. Add to the list of criteria for detaining at-risk children in a juvenile facility. Under currently proposed guidelines, Kip would not have been detained: he had friends, good grades and only an incident with rocks on his record. Cruelty to animals, arson (even where no one was hurt), receipt of counseling for psychological disturbance and being medicated for emotional reasons need to be added to the list. Bragging about cruelty to animals or boasting about using weapons and explosives are also red flags. We need to apply current research on the subject.

2. Require an intervention and a system of record-keeping for violence or threats of violence. Every person with input needs to be assembled around one table -- the student's teachers, school counselor, juvenile officer, doctor or psychologist, even concerned friends. Only then can a pattern of violent behavior be determined or denied. But currently such decisions are made by isolated individuals, such as the school disciplinarian or the police officer. Then that individual lacks sufficient information for a good determination and pertinent information becomes lost or scattered.

3. The process for consultation needs to also include all pertinent concerns, not just actual violations. On one hand, teachers, parents and students fear being either ignored or sued for reporting "merely" a troubling journal entry, a speech about bombs, threatening comments, a "hit-list", etc. -- all actually reported about

Kip. While on the other hand those who do report are often told nothing can be done until a crime is committed. We clearly need to take steps to encourage teachers and students to report concerns, without fear of rejection or retaliation and with the certainty that something will be done. Then those in charge can make the final judgment as to the seriousness of a situation and the appropriate consequences.

4. Identify which agency is ultimately responsible for coordinating these decisions and precisely which steps must taken for which violent acts or threats. For example, when teachers suspect possible child abuse, there are clear procedures to follow. A brochure outlines what is considered abuse, that those in charge of children must report it and that subsequently the burden of proof or determining appropriate action rests squarely with Children's Services. Nevertheless there is no such agency governing the handling of violent children. Worst of all, there is no clear policy for either parents or teachers: Do we report first to the school counselor, the disciplinarian, the principal or the police? Do ministers, family doctors and others in authority have the obligation to report children who are dangerous or is it to be considered a private or family affair? Furthermore what constitutes a violent threat? Will possession of knife under the car seat merit the same punishment as a loaded gun in a back-pack? And once violent students are counseled, suspended or detained, what is next? The procedure needs to be clearly defined and widely known to those dealing with children.

5. Increase the bed-space at juvenile detention centers. In that way students who "only" bring guns or bombs to school or who threaten to do so can be detained for at least three days to a week. Time is needed for evaluation of the student's intentions, background, or emotional stability, as well as to assemble the adults who know the child. But if the student turns out to have no other risk factors, detention then serves as a deterrent for bringing weapons to school or making drastic threats. In any event, a one hour interview, such as Kip is said to have received, is not adequate to evaluate an at-risk child.

5. Increase the funding to help violence-prone kids. One special-education teacher at Thurston reports that there is not even therapy or regular counseling for kids identified as severely emotionally disabled, let alone as "merely" dangerous. The violent are required to be integrated into our public schools, just as are the mentally or physically disabled. Yet they receive fewer resources and less funding. Furthermore there is a waiting list for special programs outside the public school (i.e. The Child Center, Jasper House). Meanwhile seriously troubled students must be allowed to attend public school until admitted to a special program or committing a crime severe enough for expulsion. Then it is too late for the victims, as well as for the perpetrator to turn his or her life around. While the agony of this tragedy is still fresh, now is the time to request funding for prevention.

6. A student's or parent's right to privacy should end with violent acts or threats. It is understandable that a student caught stealing from someone's locker,

while deserving punishment, does not want to be branded for life; there should not be a public announcement of every disciplinary action in a school. However, since most of the staff and students did not know Kip was suspended for bringing a gun to school Wednesday, he was not detained or reported as he entered the school Thursday morning. At least the staff, if not the students, should be aware of any dangers in order to protect themselves.

7. The definition of probable cause for a search warrant also needs to be redefined. If a student is caught with a weapon or explosives, his home, belongings, locker and even computer should be searched for related activities. An expert needs to be called in, since kids such as Kip seem to be able to fool parents, teachers and police. After his expulsion, Kip is said to have earnestly explained to the authorities that he only wanted to collect guns, not use them. Yet a search of his house would have proven otherwise.

8. Finally it appears that violence, like addiction, strips parents of objectivity and reasonable control over their children. Consequently the authority to deal with violent children should not rest so much in the parents' hands, who have blind love for their children. Children who make threats or bring weapons to school should not ever be returned to their parents until the detention period, group consultation and evaluation are complete. Additionally the availability of guns in the home should be considered a risk to mitigate before returning a student to his or her family; the family's guns need to be removed from the premises if a family member is violence-prone. We cannot afford to err too much on the side of parents' rights, since even the parents can become victims, as did Bill and Faith Kinkel.

I ardently hope that you will take these comments into consideration. They represent my views as well as those of my husband, our family and most of the students and parents with whom I have spoken. Some issues, such as the all-pervasive influence of violent video games and television, are so large it will take eons to solve. However now is the time to take small, practical steps within our schools in order to prevent youth-violence.

Sincerely yours,

Rachel Beckley-Rich
36273 Camp Creek Road
Springfield, Oregon 97478

hm. 541-746-2943
wk. 541-744-5000

FAX 541-744-5029

J. ROBERT KERREY
NEBRASKA

THE PRESIDENT HAS SEEN

To Todd Stern 8-3-98

1) Look at this & see if there's anything we can do now w/ Sec. Glickman -

2) I need to sign a thank you reply to Sen. Kerrey - RC

98

copied
Stern w/book
COS w/copy of TOC + cover/ltr

original note and copy of ltr/TOC - RM

copy all chron
copy of note/original ltr - Greenbergs

[illegible],

when you are developing the [illegible] climate change mitigation strategy is a first rate description of how to make this a win in heartland.

Peter Greenberger to coordinate a reply -

Thanks for [illegible] to play golf and thanks for [illegible] done (and are doing) to make our country better.

Respectfully yours,

BK

NOT PRINTED AT GOVERNMENT EXPENSE

J. ROBERT KERREY
NEBRASKA

UNITED STATES SENATE
WASHINGTON, D. C.

July 24, 1998

JUL 30 1998

Dear Mr. President -

Please, keep agriculture in mind when you are developing the domestic climate change mitigation strategy. This is a first rate description of how to make this a win-win in the heartland.

Thanks for the invitation to play golf and thanks for all you have done (and are doing) to make our country better.

Respectfully yours,

BK

The Potential of U.S. Cropland to Sequester Carbon and Mitigate the Greenhouse Effect

R. Lal • J.M. Kimble
R.F. Follett • C.V. Cole

crop resi-
ms (25%),
irrigation
d at 32-38
TC/yr, and
MMTC/yr.
t, and ero-

show that
rtant agri-
are: (i) CT,
sed on fre-
tility man-
astes to re-
(iv) irriga-
-humid cli-
for growing
res. In this
capability

— a major
energy, in-
offset fossil
RP, we need
uestering C
uctivity, en-
effect.
nd Mitigate
anagement
our national
ices for sus-
vironment.

Contents

Tables

Figures

Photos

Figures

Photos

8-3-98

copied Sperling COS

The Outlook

Policy Makers' Big Job: Avoiding Errors of '20s

A1

WASHINGTON

Technology is ushering in a new era of prosperity. A wave of mergers is sweeping corporate America. Stock prices are soaring to inexplicable levels, and Federal Reserve officials ponder whether to prick the bubble. Inflation is so low that sober people worry about deflation. An international economic crisis threatens global stability.

The year? 1928. Now, 70 years later, there are still lessons to be learned.

The challenge for policy makers today isn't how to respond to a stock-market crash, if one occurs. They know what to do; the lessons of '29 and '87 have been well-studied. The Fed would flood the economy with money. Fed Chairman Alan Greenspan and Treasury Secretary Robert Rubin would exude calm competence – and keep their fingers crossed.

Their challenge, and that of their counterparts in other capitals, is to avoid the sort of missteps that precipitated the Depression.

"Macroeconomic policy matters. The Depression was the result of policies taken by national governments and central banks," Peter Temin, an economic historian at Massachusetts Institute of Technology, counseled a few years ago. He likened the era's economic-policy makers to the 18th-century doctors who treated Mozart with mercury. "Not only were they singularly ineffective in curing the economic disease," he said. "They also killed the patient."

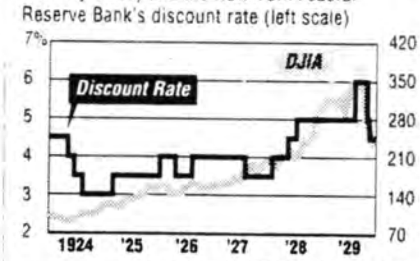
The '20s were economically impressive – until 1929. As businesses finally figured out how to make the most of electricity, the technology was paying off in a surge in productivity. Ordinary Americans fared so well that the '20s were dubbed "the prosperity decade." After recovering from a brief but sharp recession in the opening years of the decade, the U.S. expanded at a healthy 3.3% a year. Inflation averaged close to zero. From the beginning of 1927 to the end of 1928, the Dow Jones Industrial Average doubled. RCA stock was the Amazon.com of its day.

The Fed, more decentralized than it is now, was alarmed by speculative fever on Wall Street, but it was riven by disagreement. As Carnegie Mellon University economist Allan Meltzer recounts it, Fed officials in Washington wanted to check the stock market by limiting credit to speculators – not by raising rates. But the powerful New York Fed wanted to boost rates to burst the inflationary stock-market bubble. The Fed did raise its discount rate, the rate at which it lends to commercial banks, in 1928 and again in 1929.

It was this debate that Mr. Greenspan recalled when he asked in December 1996: "How do we know when irrational exuberance has unduly escalated asset values? . . . And how do we factor that assessment into monetary policy?" At the time, Mr. Greenspan seems to have been wondering whether the Fed should consider raising rates to restrain stock prices. In the months since, he has clearly backed away.

Monetary Mistake

The Dow Jones Industrial Average (right scale, monthly close) and the New York Federal Reserve Bank's discount rate (left scale)



Source: New York Federal Reserve Bank

Economic historians applaud his inaction. "The Fed should worry about the stock market," Mr. Temin advises today, "but it's not clear that they should do anything about it. The Fed tried to break the bubble in 1929. They succeeded, and they certainly deserve some of the blame for helping to slow the economy, too."

Says Barry Eichengreen of the University of California at Berkeley: "In the '20s, the Fed took its eye off the ball – the real economy – and began worrying about Wall Street and used monetary policy to stamp out excessive speculation." It was an error the Fed has not repeated.

In one instructive respect, the '20s were different. Exchange rates were fixed. Maintaining the gold standard was a top central-bank priority. That proved a colossal mistake.

Exchange rates didn't reflect the economic differences among countries. In hindsight, the British pound was too high, the U.S. dollar and French franc too low. So much gold flowed out of Britain and into the U.S. and France that the two economies ended up with 60% of the world's supply. To today's economists, that suggests the Fed should have let inflation rise or the exchange rate fall (that is, let the dollar price of gold climb). It wanted to avoid both.

"They were trying to do two inconsistent things," Mr. Meltzer says.

That's another error that has been avoided. With one brief exception in June, the U.S. has allowed the dollar to rise. The Bank of Japan has let the yen sink rather than raising interest rates to rescue it. Forced to choose between protecting its fragile banks (with low interest rates) or its exchange rate (with high interest rates), the Japanese central bank has made the proper choice, Mr. Eichengreen says.

"Flexible exchange rates seem to have made things better for Asia than the gold standard did," Mr. Temin adds. "That's not to say that things are good for Asia, but they could be even worse."

The 1920s ended disastrously. The 1990s need not, provided policy makers remember the harm their mistakes can cause.

—DAVID WESSEL

THE WALL STREET JOURNAL
MONDAY, AUGUST 3, 1998

FAX COVER SHEET

'98 AUG 3 PM1:52

ARKANSAS DEPARTMENT OF CORRECTION
BOOT CAMP

Send to Burkhardt -

Yes ✓

no ____

Letter & congrats ✓/ BC Sig

DATE: 30 July 98

TO: Ann McCoy

FROM: Tommy Rochelle

x 301

FAX: 501- ...

MESSAGE:

Boot Camp Recogn.

PAGES: 03

Phil – Pres. [illegible] started program & [illegible] [illegible] [illegible]
Congrats

FAX COVER SHEET

'98 AUG 3 PM 1:52

Should we
Can we do
letter &
Congrats?
NB

ARKANSAS DEPARTMENT OF CORRECTION
BOOT CAMP PROGRAM

DATE: 30 July 98

TIME: 10:45

TO: Ann McCoy

PHONE:

FAX: 202-395-4198

FROM: Tommy Rochelle

PHONE: 501-897-5806 x 301

FAX: 501-897-1195

MESSAGE:

Boot Camp Recogn.

PAGES: Ø3

Department of Correction

Arkansas
Department of Correction
Boot Camp Program
P.O. Box 1010
Wrightsville, Arkansas 72183-1010
Phone: (501) 897-5806

TO: Ann McCoy
White House

FROM: Tommy R. Rochelle, Mr., ADC
Boot Camp Administrator

RE: Best Practices: Excellence in Corrections

DATE: 30 July 1998

Per our conversation on 29 July 1998, the following letter is attached, reflecting the Arkansas Department of Correction Boot Camp selection as a best practice within the American Correctional Association. The staff and I are extremely proud of the efforts laid down since its conception to present. If you need any other information concerning this honor, or any other information concerning the ADC Boot Camp Program; please contact the unit at any time for assistance.

TOMMY. ROCHELLE, Mr., ADC
Boot Camp Administrator

FOUNDED 1870

AMERICAN CORRECTIONAL ASSOCIATION

4380 Forbes Boulevard • Lanham, Maryland 20706-4322 • 301-918-1800 • Fax: 301-918-1900

July 20, 1998

Tom Rochelle
Boot Camp Administrator
Wrightsville Correctional Institution
P.O. Box 1010
Wrightsville, Arkansas 72183-0407

Dear Mr. Rochelle:

Two years ago, when I became president of the American Correctional Association, I initiated a project to identify "best practices" in corrections. Professionals from across the nation and Canada were invited to submit programs and practices that exhibited positive results for consideration in nineteen separate categories. Each submission was evaluated by a committee of peers knowledgeable in that particular area of the field. The response was high which made the selection process difficult. Each committee was allowed to choose up to ten submissions for publication by ACA.

I am pleased to formally notify you that your submission, Arkansas' Boot Camp, has been selected as a best practice. As such, it will be included in the Association's new book, *Best Practices: Excellence in Corrections*. The book will be distributed at the 128th Congress of Correction in Detroit, Mich., August 9-12, 1998. A certificate commemorating this achievement and a copy of the book will be sent to individuals listed as contacts/authors of each selected program, as well as the head of the respective agency.

I am proud to advocate your program, along with the others, as valuable and positive proof of "what works." I wish you continued success as we strive toward our mutual goals. Thank you for your contribution to this landmark publication. I hope to see you in Detroit.

Sincerely,

Reggie Wilkinson

Reginald A. Wilkinson
President
American Correctional Association

8-3-98

THE WHITE HOUSE
WASHINGTON

August 1, 1998

MR. PRESIDENT:

Attached are the following weekly reports:

(A) **CEA Weekly Economic Briefing**

(B) **Interest Rates/Stock Market and Emerging Markets**

(C) **DPC Report**

(D) **NEC Report**

(E) **CEQ Report**

(F) **OSTP Report**

(G) **Climate Change Report**

(H) **Communications/Upcoming Speeches Reports**

(I) **Legislative Report**

(J) **Public Liaison Report**

(K) **Intergovernmental Report**

(L) **Race Initiative Report**

(M) **Cabinet Affairs Report**

(N) **Political Report**

Phil Caplan Phil

Tab A - Yellen/COS Tab B - Summers memo: Sperling/COS
Tab C - Reed/Kagan/COS
Tab D - Sperling/COS/Scheduling
Tab F - Emanuel/Reed/Stern/Jones/COS
Tab G - Stern/COS
Tab H - Waldman memo - Waldman/COS
Tab I - Stein/COS
Tab K - Ibarra/COS

8-3-98

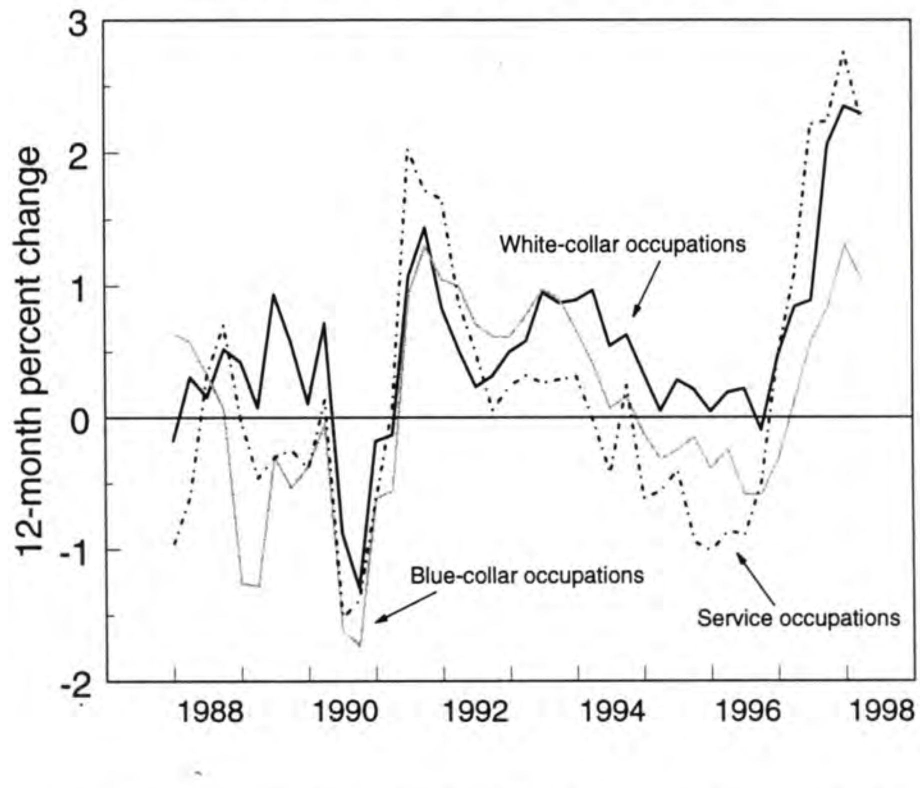
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

July 31, 1998

CHART OF THE WEEK

Growth in Real ECI Compensation



copied
Yellen
COS

Employee compensation as measured by the employment cost index (ECI) has been rising faster than inflation recently. White-collar (managerial, administrative, and professional) and service occupations have seen larger increases than blue-collar occupations.

CONTENTS

CURRENT DEVELOPMENT

SPECIAL ANALYSES

ARTICLE

DEPARTMENTS

"The economy's never been better. Here's another potato!"

CURRENT DEVELOPMENT

GDP Scorecard: Second Quarter 1998

Real GDP is estimated to have increased at a 1.4 percent annual rate in the second quarter—a dramatic slowdown from the 5.5 percent rate in the first quarter. Three factors took a bite out of second-quarter output: a decline in net exports; slower growth in stockbuilding after an extraordinary first-quarter pace; and the strike at GM, which cut second-quarter growth by about 0.6 percentage point at an annual rate. The price index for GDP increased only 0.8 percent at an annual rate in the second quarter and 1.0 percent over the past year.

Component	Growth*	Comments
Total consumer expenditures	5.8%	Motor vehicle purchases increased sharply, driven at least in part by generous incentive programs. Increases in spending on nondurables and services were also large.
Producers' durable equipment	17.8%	Increases in transportation equipment and information-processing equipment were large.
Nonresidential structures	-4.5%	These have been down in the last two quarters. In part, this may reflect a drop in oil well drilling due to a drop in oil prices.
Residential structures	13.2%	The large increase in single-family home construction reflects solid income gains over the past year as well as declines in mortgage rates in the second half of 1997.
Inventories (change, billions of 1992 dollars)	$44.7	After heavy stockbuilding in the first quarter, inventory investment dropped sharply in the second, as expected.
Federal purchases	7.0%	Defense outlays bounced back after a drop last quarter.
State & local purchases	2.0%	Second-quarter growth is similar to the pace of growth over the previous 4 quarters.
Exports	-8.0%	This is the second consecutive quarter of decline and most likely reflects a drop in exports to the Asian crisis countries.
Imports	11.9%	Strong growth in final sales, together with a 3 percent drop in prices of non-petroleum imported goods over the past year, has encouraged imports.

*Percent real growth in the second quarter at annual rates (except inventories). The advance estimate is subject to substantial revision—especially for exports, imports, and inventories, where the estimates are based on only 2 months of data.

8-3-98

SPECIAL ANALYSIS

What Do We Know about High Performance Workplaces?

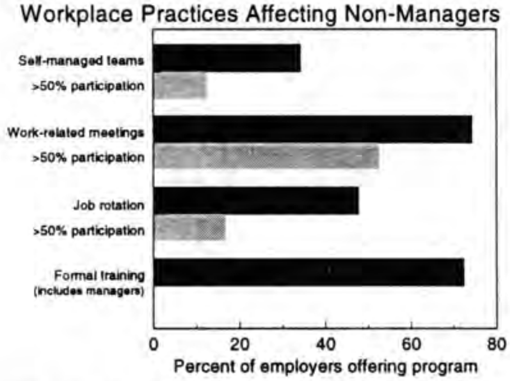
In the past decade, the role of workplace organization, human resource practices, and compensation schemes in determining firms' performance has received increasing attention. The evidence is mixed as to whether these practices do indeed enhance performance.

What are high-performance work practices? Human resource practices designed to improve performance fall into five broad categories:

- employee involvement in the work process, such as through self-managed teams or regular meetings to discuss work-related issues;
- skill building through formal and informal job training and job rotation;
- reward systems, including individual and group incentive-based compensation;
- explicit or implicit commitments by employers to provide long-term employment relationships;
- rigorous recruitment and selection systems.

How prevalent are these practices? The 1997 National Employer Survey (NES) provides the most recent and most representative data on employer practices. Many employers reported using high-performance practices, such as self-managed teams, work-related meetings (also known as quality circles), and job rotation with their non-managerial staff (see chart). While many employers use these practices with at least some of their employees, far fewer apply them to more than half of their employees. Firms also reported high rates of formal training.

Workplace Practices Affecting Non-Managers



The package matters. According to a recent review of research findings, firms that implement multiple work practices designed to enhance flexibility and worker participation can improve business productivity. However, isolated changes in individual work practices were generally found not to improve performance. For example, employee involvement may not encourage workers to share ideas if they do not perceive that the rewards from higher productivity will be shared, or if productivity gains are followed by worker layoffs. In light of these findings, it is noteworthy that few firms in the NES reported implementing a strategy that combined a number of practices.

ESOP fables? Employee stock ownership plans (ESOPs) and profit sharing plans have been the subject of growing interest, in large part because workers may respond to these incentives with improved performance. Research combining the results from many individual studies indicates that average productivity increases by 4 to 5 percent following the adoption of either ESOPs or profit sharing plans. However, the individual studies themselves show that, although many firms experienced increased productivity after instituting ESOPs, many other firms experienced little or no change. For profit sharing, the individual studies yielded more consistently positive results.

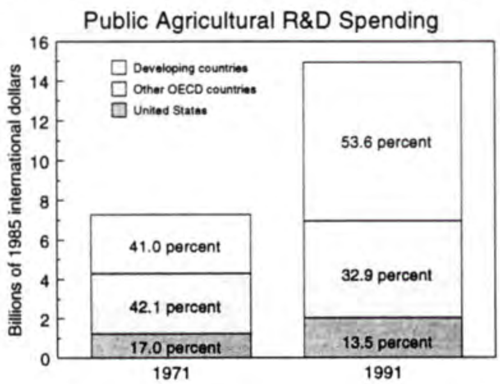
Implications. Evidence on the effectiveness of high-performance work practices should be interpreted cautiously. While employee ownership and profit sharing plans appear to help productivity and profitability, the mechanism through which they operate effectively remains elusive. The positive relationship between multiple work practices and outcomes may signal synergies within systems of practices. But it could arise because firms that are more serious about improving performance in general also implement more of these specific practices than firms that are less committed. It is also possible that more-profitable firms are more willing to undertake these strategies in the first place.

SPECIAL ANALYSIS

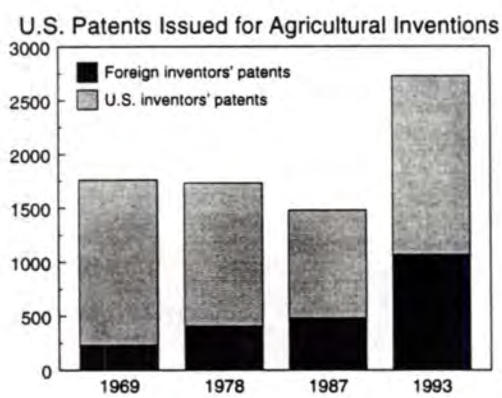
International Spillovers in Agricultural Technology

Expanded global capacity in agricultural research has increased the rate at which new food and agricultural technology flows across national borders. The United States remains the world's largest investor in agricultural research, but foreign sources of scientific and technological innovations have become increasingly important to us.

Global investments in agricultural research. Between 1971 and 1991, global public expenditures for agricultural research more than doubled, from $7.3 billion to $15.0 billion in constant 1985 dollars. While the U.S. share fell from 17 percent to 13.5 percent (see upper chart), that of developing countries rose to more than half the total by 1991. Along with these increases in public expenditures, multinational food and agricultural companies have stepped up their investments in agricultural research and technology transfer.



U.S. imports of agricultural technology. One indicator of U.S. imports of technology is the share of patents awarded to foreigners who want to market their inventions here. For agricultural inventions, this share increased steadily from 13 percent in 1969 to 39 percent in 1993 (see lower chart), indicating a growing reliance on imported technology in this sector. The United States also relies heavily on foreign plant genetic material to breed higher yielding crop varieties: most crops grown here originated elsewhere, and most genes needed to increase biodiversity come from foreign locations. The use of plant genetic material from international agricultural research centers has led to significant economic benefits for U.S. agriculture (see box on next page).



U.S. exports of agricultural technology. Innovations in this country, such as applying biotechnology to develop genetically modified crops, are also spreading quickly to other countries via private multinational seed companies. Although agricultural biotechnology is facing consumer resistance in Europe, genetically modified crops are currently being grown commercially in Canada, Mexico, South America, China, and Australia, as well as in the United States.

Implications. Growth in global public and private agricultural research implies that new agricultural technology will spread more quickly across countries. Further, the United States may increasingly look to foreign sources of new agricultural technology for domestic agricultural productivity growth. Expanded cooperation in international agricultural science and technology can improve U.S. access to foreign agricultural innovations.

Benefits from International Agricultural Research

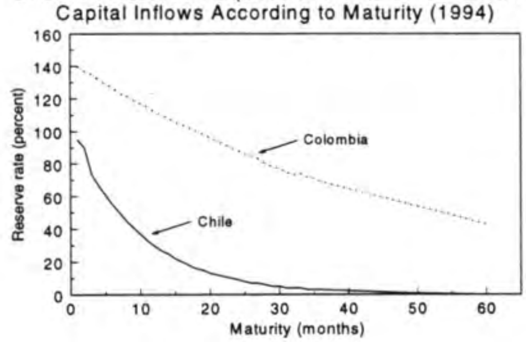
For nearly three decades, the United States has been an important player in international agricultural research through its investments in the work of the Consultative Group on International Agricultural Research (CGIAR), a network of 16 agricultural research centers around the world. CGIAR research centers helped produce the "green revolution" in the 1960s and 1970s. While the main goal of U.S. support for the CGIAR is to enhance global food security and alleviate poverty, we also enjoy direct spillover benefits from this effort. A recent study found that by using improved plant genetic material developed at CGIAR centers, U.S. crop breeders were able to increase U.S. yields of wheat and rice significantly. By the early 1990s, about one-fifth of U.S. wheat acreage and 73 percent of U.S. rice acreage were sown with varieties having some CGIAR ancestry. The total benefits to the U.S. economy between 1970 and 1993 were estimated to have been between $3 and $15 billion. This compares with a total U.S. investment of $134 million in international wheat and rice research at CGIAR centers between 1960 and 1993.

ARTICLE

Controls on "Hot-Money" Inflows in Chile and Colombia

The Asian currency and financial crisis has rekindled a broad debate over whether controls on short-term capital inflows, such as those implemented by Chile and Colombia in the 1990s, have helped them withstand international currency crises.

Effective Reserve Requirement Rate on Short-Term Capital Inflows According to Maturity (1994)



How do controls work? Countries have adopted numerous methods to limit short-term capital inflows. Chile and Colombia require borrowers to put funds on deposit in non-interest-bearing accounts against their foreign borrowing—in effect "taxing" those borrowings. The implicit tax rate declines with the maturity of the amount borrowed (see chart), with very short- term inflows taxed at a steep rate.

"Hot money" can burn you. A (controversial) view is that large inflows of short-term capital, or "hot money," can be destabilizing. For example, large money inflows may cause a country's currency to appreciate, ultimately eroding competitiveness and widening its current account deficit. Growing reliance on foreign debt to finance such a deficit can lead to crisis, especially if the liabilities are short-term, foreign-currency denominated, and bank-related. When optimism about a country's economic prospects turns to pessimism, the money can quickly flee.

You should not play with fire if you are not a grown-up. Is there evidence that short-term debt can make a country more vulnerable to a crisis? Yes, but with an important caveat: fundamentals matter too. A number of recent studies suggest that countries with weak economic fundamentals are the ones where a high level of short-term liabilities noticeably increases the probability or severity of a crisis. Danger signs include real currency appreciation and large current account deficits, excessive bank lending booms, and weak financial systems. In other words, strong economic fundamentals are the best protection against crises.

If it feels too hot, should you take a cold shower? In contrast to short-term portfolio flows, longer-term capital inflows (such as foreign direct investment, long-term bonds, and equities) are generally thought to be stabilizing. Chile and Colombia designed their controls in part to avoid boom-and-bust cycles of capital flows by discouraging short-term inflows. Recent studies suggest that such controls have affected the composition of capital inflows but have not reduced their overall level.

Can you turn the hot water on and off? The Asian flu has recently caught up with both Chile and Colombia. Their monetary authorities have been forced to defend falling currencies by depleting foreign reserves and raising interest rates. Both countries have recently trimmed their controls on short-term inflows because they now need all the money they can get. Some argue that this policy reversal shows that the rationale for controls was weak to begin with. Others suggest that a case remains if the controls are intended to address a problem of excessive short-term inflows at one stage of the cycle, followed by excessive reversal at another stage.

Arguments for free capital flows. Although capital controls have garnered substantial attention since the Asian crisis, several strong arguments have been raised against them. First, controls may raise domestic borrowing costs, diminishing investment. Second, they may be unnecessary if a solid bank supervision system is in place. In fact, some think Chile and Colombia have been sheltered from speculative attack due to the strength of their financial sectors and not as a result of their controls. Third, capital controls tend to become ineffective as investors find ways around them. Finally, approval of targeted restrictions could lead countries to use capital controls indiscriminately, thus insulating unsound policies from the discipline of the marketplace.

Limiting controls to banks. Taking into account these arguments against controls, some have proposed penalizing only *banks*' short-term borrowing from abroad. Such regulations fall well within the kind of enhanced prudential banking supervision that the United States and the IMF have for some time urged on developing countries.

Conclusion. Arguably, capital controls served a limited purpose in Chile and Colombia. In general, however, free capital mobility is necessary for the market to allocate saving to the best investment opportunities, and countries should pursue capital account liberalization as their long-term goal.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Telecom Merger Mania Continues; Wall Street Cool. Bell Atlantic and GTE Corp. have announced a "merger of equals" between the two telecommunications companies that would create the nation's largest local exchange carrier, with combined annual revenues of over $53 billion in 1997. The deal, valued at over $50 billion, adds another large telecommunications merger to this year's record-setting pace of proposed mergers and acquisitions. The Bell Atlantic-GTE merger announcement highlighted four key businesses in which the merged company expected to enjoy a leadership position: data and advanced Internet services, cellular services, local telephone service, and international service. Unlike many mergers, however, where the acquisition price represents a premium over the current market valuation, the price in this merger was based on the recent stock market value of the two companies. The day of the announcement, the prices of both companies' stock fell, as did a more general index of telephone prices. One reason may be concern that the wave of recent telecommunications mergers may lead to increased regulatory scrutiny by the antitrust authorities and the Federal Communications Commission.

Mexican Immigrants Face Special Challenges. Mexicans represent a large share (22 percent in 1990) of the foreign-born population in the United States—and an even larger share of the children of foreign-born. Roughly one-third of the children of immigrants have at least one Mexican-born parent. A recent study identifies an education gap that separates Mexican immigrants from other immigrant groups and puts them at particular economic risk in today's economy. Thirty percent of second-generation non-Mexicans lived in a household where the head had a college degree (7 percentage points higher than the rate for all natives); for second-generation Mexican households the figure was only 4 percent.

Do Official Measures Underestimate U.S. Investment? According to standard measures of investment, the United States has devoted a smaller share of its GDP to investment than many other developed countries. A recent study suggests that the U.S. investment record is, in fact, better than these figures suggest. The authors argue that international comparisons using domestic prices for capital goods are not meaningful, since they measure consumption sacrificed rather than real investment gained. The authors use measures based on world prices to account for the fact that capital goods are generally cheaper in the United States. Furthermore, the national accounts measure only physical capital investment: business and non-military government construction and purchases of plant and equipment, as well as purchases of owner-occupied housing. The study argues for an accounting more compatible with the economic notion of investment as an activity that yields income beyond the present period. This broader definition would include education, research and development, consumer durables, and military capital formation as investment goods. Because the United States devotes a greater share of GDP to these areas than do most other developed countries, a change in accounting methods would boost the U.S. position in international comparison of investment-to-GDP ratios.

INTERNATIONAL ROUNDUP

New President Looks to Put Colombia Back on Track. Markets welcomed the victory in June of President-elect Andres Pastrana, who has said that fiscal reform will be a priority of his new administration when it takes office August 7. Colombia had a long history of prudent economic management (a fact not widely known in the United States). However, rising fiscal deficits under the current administration have put upward pressure on interest rates and the already- appreciating real exchange rate. This led to increasing capital inflows and a widening of the current account deficit. These worsening fundamentals, together with general emerging-market turbulence, led to reduced capital inflows this year and pushed the exchange rate toward the bottom of its support band. Political uncertainty leading up to the election fueled speculative pressure on the exchange rate, forcing the government to raise interbank interest rates to nearly 80 percent and spend nearly $1 billion in reserves. After the election the peso recovered somewhat against the dollar, but interest rate premiums on Colombian debt still exceed those of Mexico, despite Colombia's better credit rating. Failure by the new administration to address the growing current account and fiscal imbalances could well result in a further depression of investor confidence and a downgrade of the country's credit rating.

It's the Economy, Dummkopf. According to a recent poll, unemployment is the single most important issue to German voters, who are generally dissatisfied with the performance of the current government. Thus the centerpiece of the economic platform of the opposition Social Democrats (SPD) is a proposal to boost demand-led growth through a tax restructuring that will lower tax rates while expanding the tax base. The SPD candidate for Chancellor, Gerhard Schroeder, is the current front-runner for the September election, in part, some think, because his campaign rhetoric promotes a policy approach that bridges traditional liberal-conservative differences. The Schroeder approach integrates market-based economic reforms, an emphasis on investment and new technologies, and the traditional progressive social policy of his party. Schroeder, however, has not managed to reshape his party's economic policy agenda, which has formally retained many of its traditional interventionist and redistributional goals under the leadership of party chairman Lafontaine. So although Schroeder himself has voiced support for market-based structural reforms, the need for consensus building within the coalition government makes it unlikely that actual SPD policies will represent a radical departure from current policies.

RELEASES THIS WEEK

Gross Domestic Product

****Embargoed until 8:30 a.m., Friday, July 31, 1998****

According to advance estimates, real gross domestic product grew at an annual rate of 1.4 percent in the second quarter.

Employment Cost Index

The employment cost index for private industry workers rose 3.5 percent for the 12-month period ending in June.

Advance Durable Orders

Advance estimates show that new orders for durable goods decreased 0.2 percent in June, following a decrease of 3.3 percent in May.

Consumer Confidence

Consumer confidence, as measured by The Conference Board, decreased 2.8 index points in July, to 135.4 (1985=100).

MAJOR RELEASES NEXT WEEK

NAPM Report on Business (Monday)
Leading Indicators (Tuesday)
Employment (Friday)

U.S. ECONOMIC STATISTICS

	1970-1993	1997	1997:4	1998:1	1998:2
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	**3.8**	**3.0**	**5.5**	**1.4**
GDP chain-type price index	5.4	**1.7**	**1.1**	**0.9**	**0.8**
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	2.1	1.4	1.1	N.A.
Real compensation per hour:					
Using CPI	0.6	2.2	3.1	3.7	N.A.
Using NFB deflator	1.3	2.5	3.9	3.5	N.A.
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	**10.6**	**10.7**	**11.0**	**11.1**
Residential investment	4.5	**4.0**	4.1	4.2	**4.3**
Exports	8.2	**11.9**	**12.0**	**11.6**	**11.3**
Imports	9.2	13.1	13.2	13.1	**13.2**
Personal saving	**5.2**	**1.5**	**1.2**	**0.9**	**0.4**
Federal surplus *	-2.7	-0.4	-0.1	0.6	N.A.

*Based on unrevised GDP data.

	1970-1993	1997	April 1998	May 1998	June 1998
Unemployment Rate (percent)	6.7**	4.9**	4.3	4.3	4.5
Payroll employment (thousands)					
increase per month			320	309	205
increase since Jan. 1993					16246
Inflation (percent per period)					
CPI	5.8	1.7	0.2	0.3	0.1
PPI-Finished goods	5.0	-1.2	0.2	0.2	-0.1

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

New or revised data in **boldface**.
GDP data **embargoed until 8:30 a.m., Friday, July 31, 1998.**

FINANCIAL STATISTICS

	1996	1997	May 1998	June 1998	July 30, 1998
Dow-Jones Industrial Average	5743	7441	9080	8873	9027
Interest Rates (percent per annum)					
3-month T-bill	5.01	5.06	5.00	4.98	4.94
10-year T-bond	6.44	6.35	5.65	5.50	5.50
Mortgage rate, 30-year fixed	7.80	7.60	7.14	7.00	6.97
Prime rate	8.27	8.44	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	**Current level July 30, 1998**	**Percent Change from Week ago**	**Percent Change from Year ago**
Deutschemark-Dollar	1.776	-0.9	-3.3
Yen-Dollar	142.5	0.7	20.4
Multilateral $ (Mar. 1973=100)	100.9	-0.4	1.2

International Comparisons 1/	**Real GDP growth** (percent change last 4 quarters)	**Unemployment rate** (percent)	**CPI inflation** (percent change in index last 12 months)
United States	**3.5** (Q2)	4.5 (Jun)	1.7 (Jun)
Canada	3.8 (Q1)	8.4 (May)	1.3 (May)
Japan	-3.7 (Q1)	4.2 (Apr)	0.5 (May)
France	3.4 (Q1)	12.0 (Apr)	1.0 (May)
Germany	3.0 (Q1)	2/ 7.6 (Apr)	1.3 (May)
Italy	2.5 (Q1)	12.4 (Apr)	1.7 (May)
United Kingdom	2.6 (Q2)	6.4 (Mar)	4.2 (May)

U.S. GDP data **embargoed until 8:30 a.m., Friday, July 31, 1998.**

1/ For unemployment data, rates approximating U.S. concepts as calculated by the U.S. Department of Labor, Bureau of Labor Statistics.

2/ Rate for former West Germany. Using OECD standardized unemployment data, the unemployment rate for unified Germany for April 1998 is 10.0 percent.

8-3-98

THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

'98 JUL

Copied
Sperling
COS

July 31, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Lawrence H. Summers

SUBJECT: Update on Emerging Markets
The Week Ending July 31, 1998.

- **Russia:** Markets were sluggish this week as investors continued to show concern about implementation of the new IMF program. Equities were down 5% for the week, rebounding somewhat from a sharp decline on Monday, while the ruble finished the week virtually unchanged from last Friday. Yields on domestic bonds jumped to 75% on Tuesday, but fell to 58% by the end of the week, almost unchanged from last Friday. Gross foreign reserves rose sharply to $19.2B on July 24 as $4.8B in IMF funds was disbursed.

- **Indonesia:** The rupiah appreciated 8.7% this week and stocks rose 0.4%. The strengthening of the rupiah was mainly attributable to market expectations surrounding the strong show of assistance from the international community at the Consultative Group on Indonesia (CGI) held in Paris this week. Press reports indicate that the conference mobilized an additional $7.9 B in support for Indonesia (including the U.S. wheat donations, priced at $300 M), on top of the approximate $6.2 B package in budgetary support currently being mobilized by the IMF, World Bank, ADB and Indonesia's bilateral creditors. It remains unclear as to how much of the $7.9 B is new resources, as the figure likely includes assistance already in the pipeline, including technical assistance.

- **Korea:** The won appreciated 1.2% for the week as Korean firms found themselves with sufficient dollars due to month-end settlement of export bills. In addition, dollars are flowing into Korea through foreign direct investment in Korean assets. Meanwhile, the stock market ended up 0.2% for the week, regaining ground lost earlier in the week. Concerns over domestic labor issues, the value of the yen (which affects Korean firms' export competitiveness), and rumors of a Chinese yuan devaluation dampened market sentiment.

- **Thailand:** Stocks fell 6.7% for the week due to continuing signs of economic decline, $2.7 billion in first-half losses at Thai banks, and Moody's announcement that it may further downgrade Thai banks. The baht has been surprisingly stable this week despite the yen's weakness and has fluctuated around 41 baht/$, probably due to a stronger balance of payments position. Moody's negative creditwatch for Japan helped spreads on Thailand's 10-year Yankee bond increase to 424 bps from around 400 bps last week.

- **Latin America:** The major Latin equity markets were mixed, with Brazil up 3% for the week on the successful Telebras privatization, while Mexico was down 3% and Argentina was flat. Venezuela's borrowing costs on international markets rose sharply following last week's failed aluminum plant privatization, which added to woes caused by low oil prices and uncertainties regarding the December Presidential election. The spread over Treasuries on Venezuela's 30-year Eurobond widened to 801 basis points -- up 75 bps on the week and nearly 300 basis points since early June. Nevertheless, the GOV successfully launched a new $500 M 20-year Global Bond priced to yield 815 basis points over Treasuries.

- **South Africa:** Rising interest rates continued to help the Rand appreciate another 1.5% for the week. Spreads on South African Eurobonds narrowed 15 bps this week, following last week's large jump due to Moody's announcement that it will review for possible downgrade of South Africa's foreign currency debt. The equity market was essentially flat for the week.

- **India:** Stocks rose 1.3% this week due to stronger-than-expected earnings reports from a couple of major companies. In addition, foreign equity purchases exceeded sales in July for the first time since March. After falling more than 6% in May and June, the Indian rupee has remained relatively stable in July at about 42.5 per dollar.

- **Pakistan:** From July 21 to Monday, stocks rose 19% following the July 21 announcement that G-7 countries would permit a resumption of IMF negotiations. Since then, stocks have dropped 10.6% on disappointment that the G-7 move did not result in an immediate bail-out package. Hopes for such a package had been encouraged in the local press by GOP officials. In the parallel free market, the rupee traded steadily at about 56/$, about 18% above the official exchange rate.

'98 AUG 1 PM 8:10

THE WHITE HOUSE

WASHINGTON

8-3-98

copied
Reed
Kagan
COS

July 31, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Health Care -- Patients' Bill of Rights: The Senate adjourned this week without bringing patients' bill of rights legislation to the floor. Earlier this week, Senators Chafee, Lieberman, and Graham introduced their own bill of rights proposal. The proposal includes all of the rights recommended by your Quality Commission, in addition to enabling individuals to sue health plans for economic (but not non-economic or punitive) damages in federal court. This enforcement scheme is an attempt to split the difference between the provision in the Kennedy bill, which allows individuals to sue health plans in state court for all damages, and the provision in the Republican Leadership bill, which relegates individuals to a schedule of civil monetary penalties that bears no relation to the amount of damages actually suffered.

Senator Lott is placing pressure on Republicans not to co-sponsor the Chafee-Lieberman bill, and Senator Spector is the only Republican likely to join it. At the same time, Senators Daschle and Kennedy have criticized the bill, especially its enforcement provision, as inadequate. We have kept our distance from the bill, both because most Senate Democrats do not yet want to compromise and because early Administration support for such an approach could *decrease* the likelihood of eventually getting a strong bill out of the Senate. We have tried, however, to refrain from any sharp criticism of the bill, given that it is in fact a quite strong piece of legislation. Our task for this month is to emphasize the differences between the Republican and Democratic bills, so that when the Senate Republicans return, they feel a need to engage seriously with the Administration and Senate Democrats on this issue.

2. Health Care -- DeSario Case and Guidance: The Department of Health and Human Services will issue a guidance letter to all state Medicaid directors this week on their obligations to cover medical devices. The guidance comes in the wake of a controversial decision by the U.S. Court of Appeals for the Second Circuit in the DeSario case, holding that Connecticut could limit coverage to a list of approved medical devices, which the State had compiled by reference to the needs of the average Medicaid beneficiary. The HHS guidance letter will adopt a contrary interpretation of the law, stating that although states may set some limits on coverage of medical devices, they must take into account when doing so the special needs of Medicaid beneficiaries with disabilities. The guidance also will remind the states of their obligation to provide notice of any coverage restrictions, and to put in place a public and timely appeals process. Some Governors will complain that HHS's interpretation will increase their Medicaid expenditures; and although most disability advocates will welcome the letter, some will complain that it allows states to impose certain restrictions, rather than requiring them to pay for all medically necessary devices. We believe that the letter represents the best possible balance between these competing interests.

3. Tobacco -- Legislative Update: House Republicans have decided not to introduce tobacco legislation next week, as originally planned, and are arguing among themselves as to whether to do so when they return from recess. Speaker Gingrich and Congresswoman Pryce (whom Gingrich appointed to head the tobacco effort) continue to want to pass a skinny tobacco bill, with a counteradvertising campaign, some access restrictions, limited FDA authority, and no lookbacks or price increase. Other prominent Republicans, however, argue that such a bill will be subject to attack by Democrats and that there is no advantage in reviving this issue. If the Republicans do decide to bring a bill to the floor after recess, Democrats are ready with numerous amendments, including two full substitutes: the comprehensive Hansen-Meehan bill and a new Waxman bill that replaces an up-front price increase with lookback penalties of huge proportions.

Senator Hatch is talking with Democrats -- particularly Senator Conrad, to whom a great many Democrats defer on tobacco -- about possible compromise legislation, but their talks have not yet progressed very far. Conrad is willing to make some compromises on price and perhaps even on lookbacks, but he is insistent that liability protections be put into the bill only in conference and that they be limited to an $8 billion annual cap. Hatch wants more extensive liability protections, and remains adamant that they go into the bill prior to conference (even though he knows that Senators Gregg and Leahy will again try to strip the liability protections on the floor). We have been talking to both sides in an effort to move them closer together, but something more dramatic is probably necessary to break the current impasse.

4. Tobacco -- State and Federal Suits: The settlement discussions between the industry and the state attorneys general "recessed" late last week, with industry negotiators saying that they needed further guidance from the CEOs of the companies. The talks so far have focused on non-monetary issues, with both sides apparently assuming that the industry will pay about $200 billion. Opinions are very mixed as to whether the AGs and industry will return from the recess ready to strike an agreement.

We continue to have discussions with Justice Department attorneys about the possibility of filing suits against the companies for federal Medicare costs. (We say "suits" because the most likely way to bring such litigation is to file not a single national suit, but a number of suits in different states.) They continue to be very resistant, arguing that these suits probably would be thrown out of court on a motion to dismiss, and that this result would subject the Department to criticism that it brought litigation for political reasons. Other attorneys experienced in tobacco litigation -- Dick Scruggs, Stan Chesley, John Cole, etc. -- have far greater confidence that federal suits could survive a motion to dismiss and that such suits could bring the tobacco companies to the table and force them to make substantial concessions (perhaps even before

8-3-98

motions to dismiss are decided). The Attorney General may raise this matter with you when she sees you this week.

5. Tobacco -- New CDC Data: The Centers for Disease Control released a study on Thursday indicating that minority populations would be more likely than whites to quit smoking in response to a cigarette price increase. The study found that controlling for income and education, blacks are twice as responsive as whites to price increases, and Hispanics are even more price responsive. For example, the study found that about 25 percent of 18-24 year old Hispanic smokers and approximately 10 percent of 18-24 year old black smokers would quit smoking in response to a 10-percent cigarette price increase, while only about 1 percent of white smokers of the same age would do so. The study examined data on adults only, finding that in African-American and Hispanic communities price responsiveness decreased with age, while among whites, price responsiveness remained steady.

6. Welfare Reform -- Medicaid 100-Hour Rule and Anniversary Event: You are scheduled to participate in an event this week to mark the progress of welfare reform over the past two years and announce steps to ensure that even more families make a successful transition from welfare to self-sufficiency. Most important, you can announce new administrative action (repealing the so-called 100-hour rule) to allow states to provide Medicaid to two-parent working families. (Old welfare rules precluded states from providing Medicaid to these families if the adults worked more than 100 hours each month.) You also can announce the release of HHS's first report to Congress on the new welfare law. This report focuses on the dramatic gains made in moving welfare recipients into work opportunities. Because this month is also the one-year anniversary of enacting the $3 billion Welfare-to-Work program, we are also planning for you to announce new formula grants to 5 states (MD, VA, WV, NM, NH). Finally, we may recommend that you use this opportunity to endorse the House and Senate bills to provide Individual Development Accounts for low-income families.

Good

7. Education -- Charter Schools: The Senate Labor and Human Resources Committee reported out the charter schools bill unanimously last week, increasing the prospect that Congress will send this bill to you in September. We are attempting to work out one remaining issue with Senator Coats before the bill comes to the floor, so that we can avert a controversial amendment that could derail the bill's smooth passage. Coats wants to modify a requirement in existing law that charter schools use a lottery to select students if the school is oversubscribed. Coats thinks that charter schools should be able to guarantee slots for the children of founders and siblings of students already enrolled, as well as to use certain kinds of selective admission requirements (e.g., an audition for a performing arts school). We are working with the Education Department and Coats to see if we can accommodate Coats' concerns through new administrative guidance, without violating current law and without opening the door to abuses that could increase the number of racially identifiable schools.

8-3-98

8. **Education -- D.C. Charter Schools:** We are working with Congress to address a potential shortfall of funding for charter schools in the District of Columbia during the next academic year. The budget developed earlier this year by the Control Board and the D.C. Government significantly underestimated the number of students likely to attend charter schools, providing only $12 million of the approximately $30 million needed for full per-pupil allocations to support the 4,000 students projected to attend charter schools this year. Although the original D.C. appropriations bills introduced in the House and Senate included only the $12 million recommended for charter schools, the House has added $20 million from the federal payment, with the support of the Administration. In the Senate, we are encouraging a manager's amendment on the floor either to provide additional funding for charter schools out of the D.C. surplus or to direct the Control Board to find an offset within the D.C. budget for additional funding.

9. **Education -- National Board for Professional Teaching Standards:** In preparation for the conference on the Higher Education Act, we are working on a strategy for eliminating the Goodling provision that prohibits continued funding for the National Board. This fight will be very difficult, given (1) the overwhelming majorities by which this bill passed both Houses; (2) Goodling'sapparent unwillingness to compromise on the issue; and (3) the lack of interest in the Board among House Democrats. There is bipartisan support for the Board in the Senate, and we are working closely with the NEA and AFT, Governors Hunt and Voinovich, and a variety of business leaders to put pressure on conference members to remove the Goodling provision. At the same time, we are working on compromise proposals that would give Goodling the ability to say that he corrected abuses or problems in the program, relating for example to the high salary of the Board's President and the high financial cost of seeking board certification.

10. **Education -- Ed-Flex:** The Senate Labor and Human Resources Committee reported out an Ed-Flex bill which would allow all states to waive federal education requirements if they have academic standards, assessments, and accountability measures in place. We worked hard to improve the bill, and it now reflects the principles you announced at last winter's NGA meeting. The prospects for floor action are not clear at present.

11. **Crime -- Prison Population:** The Justice Department will release a report on Sunday showing that in 1997, the nation's adult prison population grew by 61,186 men and women -- a 5.2 percent increase from 1996, but lower than the average annual growth of 7 percent since 1990. The total number of federal and state inmates reached over 1.24 million adults, with 1.13 million inmates in state prisons (a quarter in California and Texas alone) and 112, 900 in federal prisons. The report shows that since 1990, the inmate population increased by 60 percent. Violent offenders were responsible for much of this growth, accounting for a full 50 percent of the increase.

12. **Service -- Work-Study Funds:** New figures show that colleges and universities are spending more work-study funds on community service, but that there is still much room

for improvement. According to the data, the average college/university spent 10 percent of its work-study funds on community service in 1996-97, up from 7 percent in 1994-95. As you know, a law enacted in 1992 required schools to spend at least 5 percent of work-study funds on community service. In 1996-97, 9 percent of all schools failed to meet this requirement, as compared with 24 percent two years earlier. (The Education Department does not penalize schools that fail to meet this requirement.) Only 12 percent of schools use more than 20 percent of their funds for service, and only 2 percent of schools use more than half their allocation for service. We are beginning discussions with the Education Department and Corporation for National Service on possible ways to improve these numbers.

8-3-98

'98 AUG 1 PM4:32

copied
Sperling
COS
Scheduling

THE WHITE HOUSE

WASHINGTON

July 31, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: **GENE SPERLING** LB for

RE: **NEC WEEKLY REPORT**

cc: **ERSKINE BOWLES**

G.I. Bill: After 3½ years of hard work, Congress finally passed job training reform -- based upon your G.I. Bill for America's Workers. Your last minute phone call to Senator Harkin was critical in him lifting his hold on the bill over a state formula issue. We also worked closely with Secretary Herman -- who should be commended for her skillful negotiations -- to reach an agreement with Gov. Engler over his reform of the Michigan employment service. We hope that we will get the bill for a Friday signing ceremony.

Privacy: On Friday (8/31) the Vice President held an event, coordinated by the Vice President's office and the NEC, highlighting the Administration's commitment to strengthen the protection of Americans' privacy. The specific policy announcements were developed under an NEC/DPC process, and included actions and calls for legislation on medical records, children's privacy, financial records, profiling, and identity theft. This announcement received very good press coverage; the *Wall Street Journal* and the *Washington Post* both ran positive stories, as did CNN and ABC News.

Individual Development Accounts: On Monday (7/27), the Senate passed by voice vote the Human Services reauthorization bill which reauthorizes Head Start, the Community Services Block Grant (CSBG), and the Low-Income Home Energy Assistance Program (LIHEAP) for five years. This bill includes the Coats-Harkin Individual Development Account (IDA) proposal which we support. On Wednesday (7/29), the House Education and Workforce Committee adopted a Souder (R-IN) amendment by voice vote to include the Coats-Harkin IDA bill on their version of the Human Services reauthorization bill. This bill will likely come to the House floor in September and should face no serious threats to passage, unless Republicans try to reattach their controversial Head Start voucher proposal (which they recently separated from the bill).

Homeownership: The U.S. housing market continues to set new records. On Thursday (7/28), new home sales hit an all-time high in June, rising from 901,000 in May to 935,000 in June. And last week, the Census Bureau reported that the homeownership rate rose to its highest rate in American history, rising from 65.9 percent in the first quarter to 66.0 percent in the second quarter. Since you took office, more than 6.5 million American families have become homeowners. While this quarter's data showed declines among minorities and those with lower incomes, these groups have seen tremendous growth over the past several years: 628,000 African-American households and 588,000 Hispanic families have become homeowners since the end of 1994. Secretary Cuomo put out statements on both releases highlighting your strong record on the economy and homeownership.

8-3-98

Surplus and Tax Cuts: On Wednesday (9/29) I met with about 20 members of the House Democratic Budget Group, chaired by Rep. Pomeroy, to advance our goal of strengthening their resolve for "Saving Social Security First." Congressman Cardin opened with a discussion which was very much in sync with our position. I passed out an excerpt of your remarks at the IRS signing and drove home the point that your commitment to reserving the surplus is unwavering. I also walked them through Kasich's proposal. You should know that Kasich has proposed to set aside the "cash" component of Social Security -- that is, the difference between annual Social Security revenues and annual benefit payments -- for comprehensive Social Security reform. Kasich would then use the interest received by the Social Security trust fund to, in effect, pay for tax cuts. In other words, he makes his tax cut equal to the amount of Social Security interest combined with the deficit/surplus in the rest of the non-Social Security budget. At the conclusion of the meeting the Members of the group were leaning towards not offering an alternative and sticking with a clean message of Social Security first versus tax cuts.

School Modernization Day: In order to kick off September with a major national event that sets Democrats apart from Republicans on education, we have set aside September 8 as School Modernization Day. Working with the Democratic leadership on the Hill as well as mayors, local elected officials, and numerous education organizations, we are organizing media events at schools across the country that would amplify the message you will be delivering at a school in the Washington area. You will release the third annual "Baby Boom Echo" report, providing new state-by-state data on record enrollment increases. This will be your first message event after you return from Russia, and with the House of Representatives returning that week and the back-to-school focus in the Nation, there is real potential for this effort to give us momentum on the education funding issues over which we will be fighting with Congress.

Higher Education Act Reauthorization: Bob Shireman, on my staff, joined Secretary Riley and others for meetings Wednesday through Friday (8/29-8/31) with Chairmen Goodling and McKeon [scheduled for this afternoon], Chairman Jeffords, Senators Kennedy and Dodd, and the Democratic House conferees (Reps. Clay, Kildee, Martinez, and Andrews). Goodling made it clear that he wants to have a fight over Master Teachers, and that he is not pleased with the reduced interest rate on direct consolidation loans. To save Master Teachers, we are going to need the Senate, and Jeffords and Kennedy seemed willing to help. DPC is holding a strategy session on that issue this afternoon. On the overall bill, Secretary Riley will send a letter early next week; our current inclination is to include a veto recommendation based on several issues. While the wide margin of support for the bills in Congress gives a threat little credibility, we are hopeful that the Senate Democrats, at least, will echo the message that Republicans must be cooperative if they want to get this bill done this year.

Hispanic Education: With the help of OPL and DPC, Bob Shireman held a meeting this week with a coalition of groups interested in Hispanic Education issues. In addition to informing them of our plans on bilingual education, we shared information about congressional action on the Hispanic investments that are a part of your FY 99 Budget. We also discussed the Hispanic Caucus's request that the White House sponsor a "Dropout Summit." We have some concerns about this idea and will provide you with more information in preparation for your meeting with the Hispanic Caucus next week.

8-3-98

H-1B Visas: Last week Rep. Lamar Smith and Sen. Abraham reached an agreement on legislation to increase the number of temporary (H-1B) visas for highly skilled foreign workers. Their agreement did not contain sufficient additional revenue to fund significant new training and the worker protections were weak. The House leadership then attempted to bring the bill to the floor before the Senate recessed, however word of our veto threat prompted them to pull the bill (because we had the votes to sustain a veto in the House). Congress is now reassessing its options. Meanwhile, we released a list of our required changes to the Smith/Abraham agreement that would ensure our support. Early indications from industry suggest that the most moderate among them find our latest proposal in "good faith and reasonable." Therefore, we believe that we are well positioned. The House will likely try to act on a bill before they recess next week.

Tax Credit for Auto Fuel Efficiency: NEC and CEA staff met with senior GM officials in Detroit Thursday (8/30) in an effort to find a mutually agreeable approach to our proposed tax credit to reduce auto-generated greenhouse gases. The auto companies want a tax credit for any cars/trucks that incorporate certain new fuel-reducing technologies. But we have insisted on a performance-based credit -- i.e., one available only to cars/trucks that can demonstrate a measurable improvement in fuel efficiency. The concern with a technology-based standard is twofold: one, auto companies might use the new technology largely to make cars bigger or faster (while holding fuel use constant) rather than to make them more fuel efficient; two, given the constraints they face from CAFE standards, the Big 3 might install the new technologies even without the tax credit, making the credit a windfall. However, at Todd Stern's urging, we have been exploring whether a technology-based standard can be made workable. As a next step, GM will use its sophisticated modeling capabilities to answer specific questions from NEC and CEA staff about how a tax credit would affect consumer demand for the new technologies and, in turn, auto company decisions about which cars/trucks in which to install the new technologies.

Y2K Liability Bill: The Administration's bill was sent to the Congress on Monday (7/27) and introduced in the House and Senate on Thursday (7/30). There were five original cosponsors in the Senate; 26 in the House. Both groups were bipartisan. However, the response has been mixed: on the one hand, much of industry wants more, including protection from liability for performance failures, and on the other hand, segments of the securities, telecom, and electric utility industries do support the bill as is. The Trial Lawyers do not believe the bill is necessary (since existing liability rules should not discourage information exchange if appropriate disclaimers are provided) and establishes a bad precedent; they did say, however, that the changes we made last week to protect consumers and limit its scope were significant improvements. Consumer groups are sympathetic to the objective, but have not framed a position and some may want to impose new affirmative disclosure duties on firms in exchange for the liability protection. You should know that reaction from state and local government has been positive.

Credit Unions: As you know, the House passed the Credit Union Membership Act by a vote of 411-8 in April. The House bill included provisions, sought by the Administration, that for the first time would have applied a CRA-like concept to credit unions -- periodic assessment of the institution's performance in serving the needs of its community and low and moderate income persons. On Tuesday (7/28), the Senate passed their version of the bill by a vote of 92-6. Over the Administration's strong objection, the Senate stripped from the bill the CRA-like provisions. The Senate did defeat 59-39 the Shelby amendment, which would have weakened CRA itself by

8-5-98

exempting small banks (80% of all banks) from existing CRA requirements. The House decided against a conference and now plans to take up the Senate version next Tuesday (8/4).

Product Liability - Biomaterials: A stand-alone biomaterials bill passed the House on a voice vote on Wednesday (7/29) and the Senate by unanimous consent on Thursday (7/30). This bill would protect certain biomaterials suppliers from liability for harm caused by a medical implant for which they provided raw materials or component parts. You will recall that, in vetoing the 1996 product liability bill which included a separate biomaterials title, you expressed general support for the goals of the biomaterials title, but objected to the language because it would have protected from liability even those suppliers who knew or should have known that the materials, as implanted, would cause injury. To address your concern, this version gives plaintiffs a remedy against those suppliers whose negligence or intentionally tortious conduct was a cause of the harm if: (1) the manufacturer's liability should be reduced because of that negligence or intentionally tortious conduct; or (2) the manufacturer is insolvent. The Administration supported passage of the biomaterials bill in this form.

Child Labor - Harkin Amendment on Procurement: The Administration has worked with Senator Harkin on an amendment to the Treasury/Postal appropriations bill that would require: (1) DOL to identify products that may have been produced with forced or indentured child labor; and (2) companies selling those products to the U.S. to certify that the products were not made with forced or indentured child labor. While his original amendment would have been burdensome to the procurement process and violated international agreements, we supported the version reported out of the Appropriations Committee. However, Senator Thompson took to the floor on July 28 to oppose the Harkin amendment on the grounds that it was inconsistent with efforts to streamline the procurement process. Thompson's substitute amendment, which merely listed use of child labor as a basis for debarring a contractor, passed on a party line vote, with only Senator Snowe joining the Democrats.

Economic Sanctions Policy: In light of an apparent attitudinal sea change on the Hill and the tight timetable on the Biden-McConnell sanctions task force, we held a Deputies meeting to elaborate the Administration's position on economic sanctions policy. Deputies agreed we should work with supportive members such as Hagel, Dodd and Hamilton to develop sanctions reform legislation focused principally on disciplining the legislative process, while providing flexibility to the President through national interest waiver authority. (Deputies also recognized that the prospects for effective legislative self-discipline are slim). Sandy Berger and Stu Eizenstat met with a group of senators on Friday to present the Administration's recommendations. We are in broad agreement with the principles proposed in pending legislation (e.g., a presumption in favor of multilateral sanctions, requirements for analysis of costs and effectiveness), but we are concerned about burdensome reporting and administrative requirements on the Executive branch. To preempt such requirements and to get out ahead on the sanctions issue, Deputies will reconvene to consider the possibility of developing an Executive Order detailing guidelines for the imposition of sanctions under executive authority.

Mexico Copyright Protection: U.S. industry is pressing us to take action in response to Mexico's inadequate copyright protections. We held a Deputies meeting to discuss the best

8-3-98

course for inducing compliance; some agencies recommend that we reengage cooperatively with the Mexicans to persuade them to commit to implementation targets and timetables, while others believe that naming Mexico to the Special 301 watch list is more likely to yield results. State, Justice and USTR are developing a proposed work plan that should be reviewed by Principals next week.

***Japan's Window for Action*:** We convened NEC/NSC Deputies and Principals meetings to develop a detailed action plan for influencing the new Obuchi government's economic decision making in the critical early weeks. There is a brief window of opportunity for Obuchi to take decisive action, and the election disaster should provide a clear political imperative, which has been lacking to this point. Failing to act could have severe and long lasting consequences for the world economy. Principals recognized there is little new in the way of specific advice on fiscal or banking policy we have not already conveyed to Obuchi, Miyazawa and others. Nonetheless, Principals agreed we need to engage intensively with Japanese decision makers during this window to heighten the sense of urgency. We should communicate this message privately initially to avoid Americanizing the problem. This engagement should start with your phone call to Obuchi, an early Rubin-Miyazawa meeting and a substantive meeting around the UNGA special session. Deputies are developing a detailed plan to identify additional governmental and nongovernmental channels to reach Japanese opinion leaders and decision makers, as originally suggested by the Vice President.

***Russia IMF Program Not Gaining Traction*:** The Russian financial program has failed to gain traction due to a combination of miscalculations on debt issuance (too much, too soon), pessimism about political support for critical revenue measures and a poor external environment. The next showdown is expected in mid-August, when the Duma will reconvene in special session to consider tax measures it rejected earlier. NEC/NSC Principals met to discuss short-term measures that could be taken to address these weaknesses and exchange views on longer-term prospects. Treasury and State are working to develop a list of proposed measures and we will reconvene next week.

Africa Trade Legislation: We convened a meeting with Stein, Berger, Rubin, Barshefsky and Daley to consider what, if anything, we can do to secure the African Growth and Opportunity Act this year. The prognosis has been poor since the Senate Finance Committee marked up the Africa trade bill as part of an omnibus trade bill containing fast track as well as CBI, shipbuilding, TAA, GSP extension and NTR for Mongolia. The situation was complicated further by the House Republicans' announcement that they would schedule a vote on fast track during the week of September 21. Although House Republicans claim they have sufficient additional support from members sensitive to agricultural interests to secure passage this year, we believe the prospects are far from clear. Since Daschle has vowed to work to prevent the Senate bill from coming to the floor, Lott is likely to wait until the outcome of the House fast track vote to decide his next move. The prospects for delinking the Africa trade bill could improve if the House vote on fast track fails or is withdrawn. Therefore, we agreed it is important to organize efforts to energize the private sector's support for this bill now, and OPL will work with others to develop an outreach plan next week.

8-3-98

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

cc Rahm - #2,3 [illegible]

July 31, 1998

'98 JUL 31 [illegible] 20

Bruce
Todd

MEMORANDUM FOR THE PRESIDENT

FROM: KERRI-ANN JONES K.A Jones.

CC: ERSKINE BOWLES [redacted]

SUBJECT: OSTP WEEKLY REPORT

Copied
Emanuel
Reed
Stern
Jones
COS

Congressional Actions Fail to Match Rhetoric on S&T Funding

When Congress returns from recess, we hope to secure major improvements in three key areas of science and technology funding.

1. Climate Change Technology Initiative (CCTI). Appropriations at current levels in either the House or Senate (see below) will decimate the contributions of this initiative to consumer savings, reduced oil imports, improved air quality, and cuts in greenhouse gas emissions.

	Requested	Latest House Action	Latest Senate Action	Delta from request House	Delta from request Senate
Climate Change Technology Initiative					
DOE............................	1,060	742	870	-318	-190
EPA............................	205	99	114	-106	-91
USDA..........................	10	0	0	-10	-10
DOC............................	7	0	0	-7	-7
HUD............................	10	10	0	0	-10
Total.........................	1,292	851	984	-441	-308

2. Food Safety Initiative. Of the $96 million you requested for the Food Safety Initiative for the USDA and FDA, the House provided only $16.8 million and the Senate only $68.9 million. If the Conferees are unable to agree on appropriate funding offsets to at least reach the Senate level, your Food Safety Initiative will have to struggle to move forward.

3. Technology in Education. The House Labor/HHS Subcommittee reduced your request of $721 million by $180 million. This reduction would further widen the "digital divide" and make it even harder for States to train teachers to integrate educational technology into their curricula.

House Set To Continue Attacks on International Space Station

Jack Lew, Dan Goldin, and OSTP Associate Director Duncan Moore will testify before the House Science Committee next Wednesday (the Committee's third hearing in three months on ISS). Chairman Sensenbrenner and Ranking Minority Member Brown have repeatedly voiced their opinions about the unreliability of Russia as a partner in the ISS. Our testimony will address their concerns as well as the House's decision to appropriate $170 million less than the Administration request for ISS for FY 1999.

To build on the assurances offered by the Russians during the Vice President's consultations with Prime Minister Kiriyenko, we will present our strategy for ensuring Russia's successful completion of its ISS commitments and U.S. contingency plans to protect against potential future shortfalls. We will emphasize the importance of:

- Infusion of sufficient cash to ensure on-time (April 1999) launch of the Russian Service Module -- possibly via advance purchase of Soyuz vehicles to meet U.S. commitments to bring crew members back from ISS in case of emergencies; and
- Reduced reliance on Russian resupply launches -- by using the Shuttle in the near term, and possibly by also using the Interim Control Module, European and Japanese logistics vehicles, or a U.S. Propulsion Module in the far term.

Our testimony will also address the risk elements identified in the Cost Assessment and Validation (Chabrow) report.

DOI Submits Balanced Plan For Kennewick Man Investigation

DOI has developed a two-phase approach to the scientific investigation of Kennewick Man's remains: 1) determine whether the remains meet the definition of "Native American" for the purposes of the law; and if so 2) determine the disposition of the remains under the requirements of the law. The first phase begins with nonintrusive procedures for documentation, examination, recording, and analysis of the remains, including inventorying and measuring the skeletal and dental elements. More invasive tests, e.g., radiocarbon dating and DNA extraction and analysis, would be considered only if the initial description and analysis is not sufficient to make a reasonable determination if the remains are "Native American." The plaintiff scientists in the Kennewick Man suit claim that this plan is "vague and incomplete," but Tribes and editorial boards in Washington and Oregon think the plan is quite reasonable. OSTP believes DOI, working with DOJ, has produced a thoughtful plan that balances the interests of Native Americans and scientists and reflects the intent of the law.

Senate Confirms OSTP Nominees

Your nominee for Director, Dr. Neal Lane, and your nominee for Associate Director for Environment, Dr. Rosina Bierbaum, have finally been confirmed by the Senate.

8-3-98

'98 AUG 1 PM 1:18

THE WHITE HOUSE

WASHINGTON

August 1, 1998

copied
Stern
COS

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN TDS

SUBJECT: Climate Change Weekly Report

Domestic policy

Industry consultations. We had a constructive meeting yesterday with top management of 14 major electric power providers, a sector that produces a third of the nation's carbon emissions. The group included CEOs of American Electric Power, the Southern Company, the Tennessee Valley Authority, Texas Utilities, Wisconsin Electric, Illinova, Public Service Electric and Gas (New Jersey) and Trigen, as well as the President of Edison Electric Institute, the industry association. The Vice President did a very effective drop-by for around 30 minutes. Three issues were raised over and over: credit for early action; extending the life of nuclear (and to a lesser extent, hydro) plants, which emit no greenhouse gases but face major hurdles on the relicensing and waste fronts; and a more coordinated, rational approach to environmental regulation.

On this last point, many argued that they face contradictory air pollution requirements on varying time schedules, which can result in their having to ameliorate one problem (say, sulphur or NOX) at the cost of exacerbating another, like CO2. Tom Casten claimed that there are innovative solutions on CO2 that could be put into effect if we had performance-based standards for pollutants. Tom made the useful suggestion to establish an informal task force of people from their side and our side to examine this regulatory question, and the Vice President agreed. We will follow this up on a fast track. On the other points, we were already planning (this week if possible) a working session on early credit with our interagency team and the three outside groups who have done significant thinking in this area (one of these is a joint group from the Environmental Defense Fund and several utilities); and we will move our dialogue on the nuclear and hydro issues to a more technical level to see if helpful options can be developed.

Economic analysis. We released our economic analysis yesterday. Janet Yellen and I briefed several environmental reporters. We also sent it up to all interested Members on the Hill, did a small House and Senate staff briefing, and will do further briefings both on the Hill and for business, labor and environmental groups on Monday. As expected, the analysis has been criticized from both left and right -- the left saying we rely too much on buying permits from abroad, the right saying it's a rosy scenario. The *New York Times* and *AP* both ran stories, which emphasized the report's reliance on international trading. Janet and I both pushed back on this in our briefing; AP gave more attention to our arguments than the *Times* did.

Congressional

Rep. Matsui is planning to introduce our climate change tax package at an event on the Hill Wednesday morning. Larry Summers and I are going to participate. The Matsui bill will include our auto tax credit as we proposed it, but we are continuing to work with GM to see if a modified auto tax credit can be fashioned that they can support. To this end, we sent a two-person team from CEA and NEC to Detroit this week to meet with GM. The toughest part of this will be to develop a proposal that gains some support from the environmental community.

cc: Vice President
Erskine Bowles
Sandy Berger
John Podesta
Ron Klain
Jack Lew
Mike McCurry
Katie McGinty
Gene Sperling
Jim Steinberg
Janet Yellen

8-3-98

THE WHITE HOUSE

WASHINGTON

'98 AUG 1 PM4:07

copied
Waldman
COS

August 1, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: MICHAEL WALDMAN

SUBJECT: SPEECH THEMES FOR UPCOMING WEEK

In your scheduled public events this week, you will continue to press the theme of progress over partisanship. On several occasions, you will have the opportunity to contrast your approach with the failure of the Congress to act in the national interest.

good

8/3 **Education and summer jobs in the budget**

You will visit a suburban Maryland hospital, where you will deliver remarks arguing that we must invest in the skills of our people as we balance the budget, and will specifically discuss at length the Labor-HHS Appropriations bill. Our agenda for renewing American education will be contrasted with the Congress' desire to cut or inadequately fund Goals 2000 and other initiatives, the elimination of funding for LIHEAP, and especially the Summer Jobs program. You will be surrounded by Summer Jobs students as you speak.

8/4 **Welfare-to-work: health care for the working poor**

In this East Room speech, you will talk about our efforts to honor work and help those who are taking responsibility for their lives and their families, and take stock of the implementation of the welfare reform law you signed two years ago. You will announce a significant action making health care more easily available for the working poor, by repealing the rule that denied Medicaid to couples who worked 100 hours or more a week. This strips away one of the last vestiges of the old welfare system. There may also be new welfare caseload numbers, and new welfare-to-work grants, to announce.

8/5 **Remarks to the House Democratic Caucus (Capitol Hill)**

These closed-press remarks to the House Democratic Caucus will come five years to the day since the House voted for the 1993 economic plan. This speech will trace the remarkable success of the new economic strategy, and will thank and remind the Members that the Republicans resisted every step of the way. You will sketch out our broad message for the coming weeks and the Fall campaign: saving Social Security first; education; Patient's Bill of Rights; the environment.

Note: You will also speak to the same themes at a Unity Dinner that evening.

8-3-98

8/6 **Brady bill extension**

In the Rose Garden, joined by Sarah and Jim Brady, you will announce new steps to curb gun violence: threatening to veto the Commerce/State/Justice appropriations bill if it includes Senate-passed provisions undermining the Brady Bill. Also, you will discuss the rule, to be issued next week, to finalize implementation of Brady. Finally, you will support legislation to extend the Brady Bill's 5 day waiting period (which expires Nov. 28).

Native American Economic Conference

This is only the second such event at the White House since you have become President. The remarks will discuss widening the circle of opportunity in this time of economic strength. You will announce a series of steps to promote Native American economic development and expand access to credit. The remarks will also touch on general One America themes.

8/7 **Economy: signing of GI Bill for workers and announcement of new jobs numbers**

* You will announce the new jobs and unemployment numbers released today, and use the opportunity to sign the GI Bill for Workers, if it is sent to you in time. It is worth noting that this fills in the most significant unfinished business of your 'lifetime learning' agenda begun in 1993: Head Start expansion ... Goals 2000... the School to Work Opportunities Act ... Pell Grant expansion, Hope Scholarships, and AmeriCorps for college ... and now your long-sought reemployment act.

8/8 **Radio address [TBD]**

Need this in the speech

8-3-98

THE WHITE HOUSE

WASHINGTON

'98 JUL 31 11:05

Copied
Stein
COS

July 31, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN Jm for LJS

SUBJECT: LEGISLATIVE WEEKLY REPORT

House of Representatives

1. **Jackson-Vanik/Vietnam:** In a victory for the Administration, the House rejected (163-260) H.J.Res. 120, a motion disapproving of the extension of the Jackson-Vanik waiver authority in the Trade Act of 1974 for Vietnam. The waiver allows Vietnam to participate in certain U.S. trade support and investment promotion programs. Ninety-three Republicans joined 167 Democrats in supporting the Administration's position; thirty-six Democrats and 127 Republicans voted against extending the waiver.

   Good

2. **Y2K Legislation:** The Administration's Y2K "safe harbor" legislation, called for during your July 13 remarks at the National Academy of Sciences, was introduced on Thursday, July 29 in the House by Burton (R-IN) and Lofgren (D-CA) and in the Senate by Bennett (R-UT) and Dodd (D-DE). The bill would provide a limited liability exemption for companies and other entities that share information on year 2000 activities and products. The Administration will be working to move the bill in the short time remaining in the session.

   Good

3. **VA-HUD Appropriations:** The House passed (259-164) H.R. 4194, the appropriations bill funding the Departments of Veterans Affairs and Housing and Urban Development. Senior advisers recommend you veto the legislation because critical programs are not funded or are under funded, such as National Service, Superfund, and climate change. In addition, the Administration has serious concerns with problematic language concerning the Kyoto Protocol. During consideration, the House narrowly passed (214-212) an Administration-opposed Riggs (R-CA) amendment which would prohibit funding the implementation of the San Francisco unmarried domestic partners ordinance. Other problematic amendments approved on the floor of the House include: a Hilleary (R-TN) amendment cutting the Housing Opportunity for Persons with AIDS (HOPWA) funds; a Coburn (R-OK) amendment cutting \$300 million from Federal Housing Administration (FHA) in order to fund VA medical care; a Scarborough (R-FL) amendment prohibiting funds from the Act from being used to carry out your executive order on Federalism; and, an amendment adding language from H.R. 2 - Housing Opportunity and Responsibility Act of 1997, which relaxes income targeting and is strongly opposed by Secretary Cuomo.

4. **Transportation Appropriations:** The House passed (391-25) H.R. 4328, the appropriations bill for the Department of Transportation. The Administration will work with the conferees to address some concerns for programs not covered by the TEA 21 agreement.

5. **Campaign Finance Reform:** The House continued debating H.R. 2183, the Bipartisan Campaign Integrity Act. During consideration, the House defeated a number of "poison pill" amendments to the Shays-Meehan substitute intended to derail the Administration-supported measure. The final vote on Shays-Meehan, which is expected to pass, is scheduled for Monday, August 3. Following the vote, nine more substitutes remain to be considered -- the measure garnering the most votes will be adopted into the bill. Final passage of the bill is possible prior to the August recess.

The Week Ahead

Before adjourning for summer recess on Friday, August 7, the House is scheduled to complete consideration of campaign finance reform. The House may also consider H.R. 3736, the Workforce Improvement and Protection Act, a bill which would grant temporary work visas (H-1B) to foreign workers. Your Senior advisers have urged a veto because the bill does not protect U.S. workers and does not provide enough funding for long-term worker training. The Administration has submitted a detailed list of changes that must be met in order to avoid a veto.

The House is also scheduled to consider the Commerce, Justice, State (CJS) appropriations bill. Senior advisers recommend that you veto the bill because of the under funding of legal services, the census provisions, and a proposed Hefley (R-CO) amendment concerning sexual discrimination in the Federal workplace. The House may also consider, though it is unlikely, the appropriations bills for the Departments of Labor and Health and Human Services as well as for the District of Columbia.

The House added late to its schedule the possible consideration of H.R. 3892, the English Language Fluency Act, sponsored by Riggs (R-CA) which would eliminate the existing Bilingual Education and Emergency Immigrant Education programs and replace it with a block grant program that would require participating school districts to have a strategy for placing Limited English Proficient (LEP) students in regular English-language classes within two years and deny funding to districts for any children who remain in bilingual classes after three years. The Riggs bill was reported out of committee in June on a party-line vote and no Democratic alternative was proposed.

United States Senate

1. **Credit Union Membership Access:** The Senate passed (92-6) H.R. 1151, the Credit Union Membership Access Act. The Senate tabled (59-39) a Shelby (R-AL) amendment that would have removed Community Reinvestment Act (CRA) obligations from smaller banks. The Senate did, however, pass a Gramm (R-TX) amendment that stripped from the bill CRA-like obligations for credit unions. The House Leadership plans to take up the Senate bill on the suspensions calendar Tuesday, August 4th. We expect the bill to pass easily.

2. **Treasury/Postal Appropriations:** The Senate postponed further consideration of S. 2312, the Treasury/Postal Appropriations bill. After failing to table (45-54) a McConnell (R-KY) amendment to limit terms of the Staff Director and General Counsel of the Federal Election Committee, Senator Levin (D-MI) threatened to offer a series of second degree amendments to

8-3-98

the McConnell amendment which would have prolonged debate of the bill. Majority Leader Lott set the bill aside in order to move to other Senate business. During consideration, the Senate also failed to table (48-51) a Brownback (R-KS) amendment to eliminate the marriage penalty from the tax code. In addition, the Senate tabled (54-44) a Feinstein (D-CA) amendment regarding further imports of large capacity clips and magazines used with automatic weapons; and, rejected (48-50) a Hutchinson (R-AR) amendment on a point of order sunsetting the existing tax code by the end of 2002.

3. **Department of Defense Appropriations:** The Senate passed (97-2) S.2132, a $252.4 billion Department of Defense Appropriations bill. The Senate tabled (69-30) a Hutchison (R-TX) amendment that would have required a phased reduction of U.S. troops in Bosnia; passed (voice) after amending (99-0) a Hutchinson (R-AR) amendment that would block U.S. visas for Chinese officials linked to forced abortion programs or religious persecution; and, tabled (84-15) a Durbin (D-IL) amendment to require prior Congressional approval before funds in the bill are used for offensive military actions.

4. **Emergency Farm Financial Relief Act:** The Senate passed (unanimous consent) S. 2344, the Emergency Farm Financial Relief Act, allowing farmers suffering from bad crops and low commodity prices to take their 1999 emergency payments in October instead of January. Republicans objected to a Democratic request to add to the measure $500 million in emergency indemnity payments for farmers.

5. **Workforce Investment Partnership Act of 1998 Conference Report:** The Senate passed (unanimous consent) H.R. 1385, the Workforce Investment Partnership Act of 1998 Conference Report, representing a major victory for the Administration's "GI Bill for Workers." Among other things, the bill streamlines and consolidates more than 60 federal job training and adult education programs and enhances the youth job training system by incorporating the President's Youth Opportunities Areas Initiative (funded in last year's appropriations process) which will help young people in high poverty areas find and keep jobs.

6. **Baseball Antitrust:** The Senate passed (unanimous consent) S. 53, the Curt Flood Act of 1997, sponsored by Senator Hatch (R-UT), aimed at partially lifting Major League Baseball's antitrust exemption. The bill is intended to give big-league baseball players the same legal protections other professional athletes enjoy.

7. **Nominations:** The Senate confirmed three key nominations, Jack Lew to be the Director of OMB, Bill Richardson to be Secretary of Energy, and Neal F. Lane, Director of the Office of Science and Technology Policy

The Week Ahead

The Senate now stands in recess until August 31.

cc: Vice President
Erskine Bowles
John Podesta
Maria Echaveste

8-3-98

THE WHITE HOUSE

WASHINGTON

copied
Ibarra
COS

July 31, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra Mickey

SUBJECT: Office of Intergovernmental Affairs Weekly Report -- July 27 - July 31, 1998

Federalism Executive Order

- Responding to your direction last week to find a resolution to this matter, Erskine Bowles, the White House Working Group on Federalism, and I agreed today to have a new Executive Order prepared for your signature next week that will "suspend" your earlier, May 14 Executive Order on Federalism in order to enable full and adequate consultation with state and local elected officials and their representative organizations. I have spoken to Governors Carper, Leavitt, and Romer, as well as Bill Pound, NCSL executive director and the Big Seven staff chair seeking their support. All have readily agreed that this will work and have pledged to begin consultations in good faith with us soon. Rep. McIntosh (R-IN) conducted a Congressional hearing on Federalism on July 28. OMB delivered our testimony. Both Lt. Governor Doug Racine (D-VT) and Councilman Mark Schwartz (D-OK), whom IGA recruited and prepared, did an outstanding job defending your record and commitment to state and local rights.

American Heritage Rivers

- IGA provided support for the designation announcement and July 30 American Heritage Rivers event. I represented you at a luncheon and press conference for the Rio Grande project in Laredo, Texas. Mayor Betty Flores and many other local elected officials participated including Presidente Municipal (Mayor) Marcos Garcia of Nuevo Laredo, Mexico. The communities of Laredo, Brownsville and El Paso are absolutely delighted to be included in your initiative. Support for you in South Texas is overwhelming!

Patients' Bill of Rights

- By orchestrating opposition among our Democratic Governors this week, we successfully prevented the National Governors' Association (NGA) from endorsing the managed care legislation drafted by Senator Nickles (R-OK).

8-3-98

Tobacco

- The Attorneys General report significant progress in talks with the tobacco companies. Attorneys General Christine Gregoire (D-WA) and Tom Miller (D-IA) report to IGA that they believe they have reached a partial deal that includes $200 million dollars over 20 years. The parties have recessed to allow the tobacco negotiators a chance to brief their CEOs and get further guidance. While the money is largely settled, the public health issues remain. The Attorneys General expect the talks to resume on Wednesday or Thursday of next week.

Privacy

- Prior to the Vice President's event on privacy protections on Friday, we previewed the policy announcements with the NGA, National Association of Attorneys General, National Conference of State Legislatures, US Conference of Mayors, and the National Association of Counties. We plan to coordinate a consultative process with states to analyze the privacy of personal information collected by governments.

Phisteria outbreak

- We are working with CEQ to coordinate a response to the outbreak this week in North Carolina of toxin infected fish (phisteria). In addition, we are finalizing a joint meeting with the federal agencies and the six effected states to plan for additional potential outbreaks.

Governors

- We are preparing for the summer NGA meeting this weekend in Milwaukee. In addition to the Patients' Bill of Rights and federalism, we are working with the Governors to produce a letter to the Congress endorsing IMF funding and to support the Administration's policy on climate change.

- At the NGA meeting, Gene Sperling, Maria Echaveste and Fred DuVal will address a meeting of the Democratic Governors. We will brief them on Congressional issues and priorities, the 1998 elections, and our Fall strategy.

- Governor Shaheen (D-NH) has asked for our help with the Forest Service to accelerate the consideration of a land trade with the state so as to create a state-owned ski area in time for next year's ski season.

- Governor Knowles (D-AK) has asked for our help concerning the Department of Interior's roll-out of its rulemaking decision regarding the National Petroleum Reserve. We are working with Interior, CEQ and the Governor's office to facilitate the pre-briefings the Governor has requested.

8-3-98

- Governor Englar (R-MI) is pleased with success reached thus far in negotiations with Secretary Herman on Michigan's Employment Services Department. John Podesta and others are working with the Secretary to resolve the remaining issues.

- Governor Locke (D-WA) called to ask our help on their request for FEMA aid for the mud slide disasters that have recently hit Washington's coast-line. Governor Knowles (D-Alaska) has asked our support with FEMA for their request for assistance in response to the poor fishing harvest occurring on Bristol Bay. Both requests have been forwarded to FEMA Director Witt.

Mayors

- Mayor Rendell came to the White House July 28 to seek support for his proposal to join forces with the NRA to establish a program which would transfer all gun related crime prosecutions to federal courts in Philadelphia to ensure tougher sentences. A similar program, Project Exile, has met with success in Richmond, Virginia. Justice has significant concerns. Rahm Emanuel agreed to consider the Mayor's request with Justice, however, he also expressed concern about aiding the NRA with its tougher enforcement agenda while they hammer every other proposal of ours. The Mayor is also advocating for more research and development dollars for Justice to promote the development of new technologies to prevent the use of handguns by anyone other than the owner. He spoke of next generation gun locks and smart guns that are possible.

- As a result of a meeting between the EPA and several mayors (including Mayor Archer (D-Detroit, MI)) to discuss the executive order on environmental justice, EPA has established a mayor's desk in the office of Congressional and Intergovernmental Relations.

Indian Country

- We continue planning for the Economic Conference on Business Development in Indian Country next week. We have fifteen federal agencies co-sponsoring or participating. With over 700 registrations, the majority of attendees will be from Indian country, but there is a good representation from the business world. We are working with the DPC to collect deliverables from several of the agencies for you to announce. You will also sign a significant Indian Education Executive Order while at the Conference, which will be the first E.O. you have signed before an Indian audience.

- We arranged for the Vice President to meet with seventeen tribal leaders from Arizona. The meeting was wide-ranging and we reassured the leaders that the Administration will continue to fight against the many riders to the Interior bill that are negative to Indian Country.

- We met with several members of the Indian Health Service staff, Domestic Policy Council staff, and OMB to discuss many of the needs facing children in Indian country. ***We are currently funding one-third of the need that Indian Health Service faces.***

- The Justice Department has established the first branch of a US Attorney's office on an Indian reservation. The office is located on the Wind River Reservation in Wyoming.

Insular Affairs

- Governor Pedro Rosselló (D) proposed that Puerto Ricans vote on future status options this December whether the Federal status choice bill is enacted into law or not. The Governor would use the House-passed terms for the vote if the Senate does not act. The plan is supported by the leaders of Puerto Rico's legislature, who also support statehood, and the Independence Party. The Commonwealth party publicly said it will participate in the referendum, but its leaders privately plan to try to prevent it in local courts. Meanwhile, Senate Energy and Natural Resources Committee Chairman Frank Murkowski (R-AK) proposed a revised Federal bill after being pressed to act by Senators Larry Craig (R-ID), Mary Landrieu (D-LA), and Bob Graham (D-FL)

- The Puerto Rico telephone workers strike ended with the local unions failing to convince the government not to sell a controlling interest in the company and Governor Rossello agreeing not to implement sanctions against the workers or strikers.