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Bob Belford's Organization.
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America's Achilles' Heel

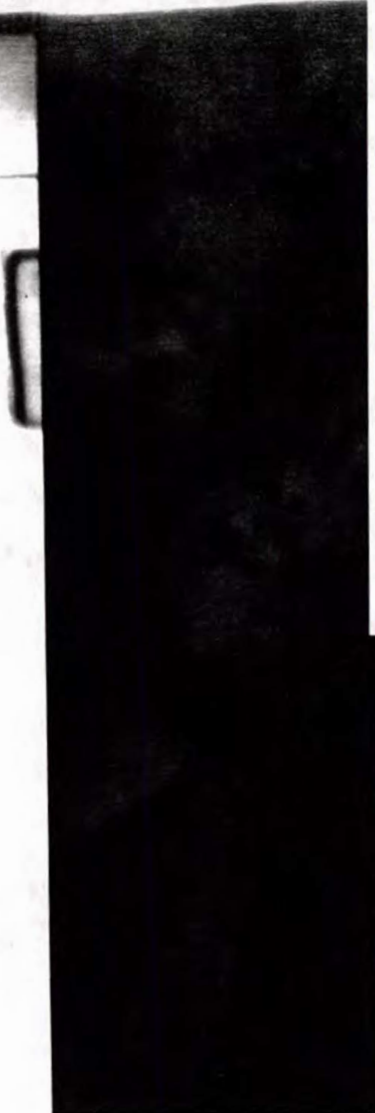
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Send to Berger?

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Cov

Yes ☒
No ☐

Richard A. Falkenrath,
Robert D. Newman, and
Bradley A. Thayer



America's Achilles' Heel

**Nuclear, Biological, and
Chemical Terrorism and
Covert Attack**

**Richard A. Falkenrath,
Robert D. Newman, and
Bradley A. Thayer**

Contents

List of Boxes	vii
List of Figures	ix
List of Tables	xi
List of Recommendations	xiii
About the Authors	xv
Preface	xvii
Introduction	1
Chapter 1 The Covert NBC Threat in Historical Perspective	27
Chapter 2 NBC Acquisition and Covert Delivery: Technical Possibilities and Technical Constraints	97
Chapter 3 The Threat of Nuclear, Biological, or Chemical Attack by Non-State Actors	167
Chapter 4 The Threat of Nuclear, Biological, or Chemical Attack by States	217
Chapter 5 Recommendations: An Agenda for the American Government	261
Chapter 6 Conclusion	337
Acronyms	341
Index	345
About the Robert and Renée Belfer Center for Science and International Affairs	356

Recommendations

Recommendation 1	Establish an NBC Response Center	276
Recommendation 2	Rationalize Departmental Responsibilities and Government Organization for NBC Response	277
Recommendation 3	Reform and Reinvigorate the U.S. Intelligence Community	282
Recommendation 4	Improve International Intelligence Cooperation	285
Recommendation 5	Improve Detection of Small-scale NBC Weapons Programs	287
Recommendation 6	Enhance Epidemiological Surveillance	291
Recommendation 7	Improve Capability for Post-attack Attribution	296
Recommendation 8	Build State and Local Capabilities	302
Recommendation 9	Enhance Specialized Federal Response Resources	308
Recommendation 10	Make Response to Domestic NBC Attacks a Core U.S. Military Mission	314
Recommendation 11	Improve Federal, State, and Local Cooperation for NBC Response	320
Recommendation 12	Secure Nuclear Weapons and Fissile Material	323
Recommendation 13	Strengthen Declaratory Policy and Law	325



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN

8-10-98

Copied
Lew
COS

August 7, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew
Director

SUBJECT: Appropriations Update

While it has been a busy month for appropriations actions, none of the thirteen bills will be presented to you prior to or during the August recess. Congress has left itself much to do when it returns, and many of the bills pose serious concerns. We have made veto threats for seven of the thirteen appropriations bills (including seven of the House versions of the bills and three of the Senate versions).

Of the thirteen bills, the House has passed eleven, the Senate has passed eight. Only one bill, Military Construction, has had conference action. The House approved the conference report, and the Senate is expected to take it up when they return on September 1. The House and Senate have passed seven other bills, and conference action is expected in September. These bills include: Agriculture/Rural Development, Commerce/Justice/State, Energy/Water Development, Defense, Legislative Branch, Transportation, and VA/HUD/Independent Agencies. Finally, the House has passed three additional bills (Interior, Treasury/Postal, and the District of Columbia).

Overall discretionary spending is \$9 billion below your request. In addition, most of the bills have objectionable language provisions attached to them. These provisions include such issues as environmental riders, a ban on census sampling, a ban on national education testing, and a provision that would require congressional approval before the President can initiate offensive military operations. Of the thirteen bills, your senior advisers have recommended that you veto seven due to inadequate funding or objectionable language. Our strategy is to resolve the bills with less significant problems shortly after Congress returns in September. There are between five to six bills that we believe fit into this category.

We expect the remaining six to seven bills to be consolidated into an omnibus appropriations bill at the end of the session. We plan to work with the Congress to identify offsets to finance some of the initiatives in the Budget. In addition, we will need to get agreement with the leadership on emergency funding. The Senate has approved over \$5.6 billion of emergency funding for programs that we support (Y2K, Bosnia, and agriculture disaster funding). The House has not approved any of this funding.

Summary of Veto Threats and Bills Likely to Be Completed in Omnibus Appropriations Bill:

Seven bills currently have veto threats attached to either the House or Senate versions of the bills or possible pending amendments.

OK
Commerce/Justice/State. The Senate passed the bill overwhelmingly (99-0), while the House bill passed by narrow margin (225-203). Both bills are about \$1 billion below your request, although they are about \$2 billion (+6%) more than the 1998 enacted level. The Legal Services Corporation (LSC) is funded at \$250 million in the House, \$90 million below the request, and \$300 million in the Senate, \$40 million below request. In addition, inadequate funding is provided for Small Business Administration, the Equal Employment Opportunity Commission, and technology investments. The House bill includes objectionable language on the decennial census that would limit spending for the census after March 31, 1999 and require that you request the release of the necessary additional funds.

agly ✓
Your senior advisors recommend veto of the House version of the bill due to inadequate funding of priority programs and objectionable Census language provisions.

agly ✓
Defense. Both the House and Senate passed Defense appropriation bills by large margins. Aggregate funding levels in both the House and Senate Committee bills are slightly below your request. The House version does not include your \$1.9 billion emergency request for Bosnia. The Senate includes the emergency Bosnia funding, but Chairman Stevens may insist that we agree to increase overall Defense spending in return for getting conference approval of the Bosnia funding. The House bill contains Representative Skaggs' language that prohibits offensive military operations unless approved in advance by Congress.

✓
Your senior advisors recommend veto on the House bill due to the Skaggs' amendment.

agly ✓
Foreign Operations. Both the House and the Senate bills provide \$12.8 billion for all programs excluding the IMF, \$1.2 billion below the request, and \$.4 billion below FY 1998. The House bill includes only \$3.4 billion for the IMF, while the Senate bill provides the full \$17.9 billion. The Newly Independent States (NIS) program is funded at \$590 million in the House bill, \$332 million below your request. The Senate bill provides \$740 million. The House Subcommittee marked up the bill July 15. House Full Committee mark-up was delayed pending resolution of disputes within the majority leadership about IMF funding.

✓
Your senior advisors will recommend veto due to inadequate funding for IMF (House), NIS (House and Senate), and the Global Environmental Facility (House and Senate), and a number of objectionable language provisions. (Neither threat has been released publicly.)

Interior. Both the House and Senate bills provide funding that is about \$600 million below your request. Funding is not provided for the Millennium Initiative in the House bill, and the Senate bill provides \$13 million of the \$50 million requested. Funding for the National Endowment for

the Arts in the House and Senate bills is at roughly the FY 1998 level, although it is below your request. Funding for Energy Conservation is significantly below your request and slightly above FY 1998 enacted. Both the House and Senate bills include numerous objectionable environmental riders. The House passed this bill, and the Senate Full Committee reported the bill in late June.

2
C.L.
Your senior advisors recommend veto of both the House and Senate bills due to inadequate funding of priority programs, including Climate Change, and the environmental riders.

Labor/HHS/Education. The total funding level provided by the House Committee was \$1.2 billion above the FY 1998 enacted level, but \$2.7 billion below your Budget request. The Child Care Initiative, funded at \$655 million in your request, would receive only \$165 million. For Education programs, the House provided full funding (at your request level) for the Charter Schools program, but did not provide funding for the Education Opportunity Zones, Teacher Recruitment, and the High Hopes programs. A few Health programs, including the Ryan White AIDS Treatment Grants, the National Institutes of Health, and the Substance Abuse Block Grant, are funded at levels above the request. Job training programs are underfunded, including no funding for Summer Youth and Youth Opportunities. The Low Income Home Energy Assistance Program (LIHEAP) is terminated. Civil Rights programs for Education and Labor are also cut.

The House bill also includes objectionable language riders on national testing, abortion, needle exchanges, family planning, and the Teamsters election.

House Floor action was postponed until September when the majority leadership could not find the votes to pass their bill. Republican moderates are seeking more funding for LIHEAP and Summer Youth, and less restrictive family planning language (no parental notification requirement). Senate action is expected in September.

ag
C.L.
Labor/HHS/Education. The House bill has a Presidential veto threat due to very serious funding and language issues.

CL
VA/HUD/Independent Agencies. The Senate passed VA/HUD by voice vote. The House passed the bill (259-164). The House bill terminates National Service, while the Senate bill funds it at the FY 1998 level. Both the House and the Senate provide funding above your request for the Veterans Administration, including medical care, medical research, and construction programs. Funding at or above the requested level is also provided the Community Development Block Grant program, HOPE VI, and Indian Housing, but there are deep cuts in housing vouchers and cuts in housing programs and for AIDS victims. For EPA, both the House and Senate provided funding below the requested level for EPA's operating program, Superfund, the Climate Change Technology Initiative, and Boston Harbor. Both bills include objectionable language provisions, including a prohibition on Kyoto Protocol Implementation.

- Your senior advisors recommend veto of the House bill due to under funding of key priorities and problematic language.

District of Columbia. Both the House-passed and Senate committee bills provide a funding level close to that requested in your Budget. The House and Senate provided funding at the requested level for the D.C. Corrections Trustee and prison construction. The House did not provide any of the \$75 million request for economic development and management reforms of the District. Both the House and the Senate substitute infrastructure spending for our request to capitalize the locally chartered National Capital Revitalization Corporation. The Senate also provided our \$25 million request for management reforms. Both the House and Senate provide funding that can be used for the Metro station improvements associated with the new Convention Center. The House bill includes three objectionable provisions, which would provide for the use of private school vouchers in D.C, prohibit adoption by couples not married or related by blood, and prohibit Federal and local funding of needle exchange programs.

OK. Your senior advisors would recommend veto over the three House language provisions.

Summary of Bills We Expect To Be Resolved:

Because of their desire to make progress on some appropriations bills and to resolve as much as possible outside of the omnibus appropriations bill, we believe that Congress will pass bills that address remaining concerns in the following bills in such a way that they can be passed by both houses and signed by you. We have extended overtures to both the appropriators and the leadership to try and work together to resolve issues in these bills.

Agriculture. Both the House and Senate have completed action on the bill. Conference action was delayed due to concerns by the Ways and Means Committee over a provision in the Senate bill that authorized an assessment on tobacco companies to pay for increases in the food safety program and the House Agriculture authorizing committee regarding the emergency funding included in the Senate bill to help farmers affected by natural disasters and low prices. The House bill includes an objectionable provision that would prohibit FDA from using funds for the testing, development or approval of an drug for the chemical inducement of abortion. Both the House and Senate bills reduce funding from your requested levels for the Women, Infants, and Children program, USDA's and FDA's food safety programs, the tobacco initiative, and USDA's Clean Water Activities.

Energy and Water. Both the House and Senate passed bills in mid-June. Conference action was delayed when the House insisted that no funding be provided for TVA non-power programs or for Chairman Steven's new \$20 million Denali economic development commission. The House and Senate bills fund many Energy and Interior programs below the request in order to provide funding for the Army Corps of Engineers at 24 percent and 18 percent above the request, respectively. Solar and renewable energy and other climate change programs are frozen at FY 1998 levels in the House bill, far below our request.

Legislative Branch. The House and Senate passed bills include slight increases over FY 1998

(1.4 percent and 3 percent, respectively). The Senate bill includes funding for the establishment of a Trade Deficit Review Commission.

Military Construction. The Conference report totals \$8.44 billion, \$31 million below the Senate bill, \$216 million more than the House bill, \$666 million above the request, but \$740 million below FY 1998. Both Military Construction and Family Housing are funded at levels greater than you requested. The Conference Report funds 132 unrequested projects, 36 of which are not in the Future Years Defense Program. The House passed the Conference Report 417-1, and the Senate is expected to pass it in early September.

Transportation. The House and the Senate bills provide for increases over the FY 1998 level for transportation programs, with the House slightly below your request and the Senate level slightly higher. Both the House and Senate provide less funding than requested for Amtrak, the Federal Aviation Administration, the Coast Guard, and the Office of the Secretary. Both bills provide higher than requested funding for the Federal Highway Administration and Federal Transit Administration.

Both the House and the Senate passed their bills by wide margins, 391-25 and 90-1, respectively.

Treasury/General Government. The House passed the bill, 218-203. The open rule under which House Floor consideration occurred allowed a number of provisions to be struck on a point of order, including the \$2.25 billion Y2K emergency contingency fund, the FEC term limits for certain officials, and the language authorizing a 3.1 percent pay raise for Federal employees. Both the House and the Senate provide amounts less than requested for the IRS with most of the cuts from the IRS computer modernization activities. \$527 million is provided in the House bill and \$508 million is provided in the Senate bill for funding for unrequested Federal courthouses

The Senate full committee reported a bill that includes a provision to provide the 3.6 percent pay raise for Federal employees and a \$3.25 billion Y2K emergency contingency fund. In an effort to convince the House to go along with this approach, we are considering a request to send up a budget amendment that would fund Y2K expenses consistent with the allowance for such funding included in your February budget.

8-10-98

THE WHITE HOUSE

WASHINGTON

August 8, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: SEAN MALONEY SUBJECT: Tab A - page 1 cover + Tab A: Emmanuel/Lewis/
Bagala/Waldman/
Capps/COS

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(C) Congressional Correspondence forwarded by Janet Murguia -- (1) Letter from Sen. Moynihan -- says "Well done" on the Y2K event; "I think we're in time -- just," says "you're onto it" and Sen. Bennett is leading a special Senate committee with his usual energy; "But it will be, as the Duke said of Waterloo, 'a close run thing,'" (2) Note from Rep. DeFazio -- sends a belated note of thanks for your visit to Thurston High in Springfield; also thanks you for including the National Guard Armory relocation in next year's budget; (3) Note from Rep. Deutsch -- thanks you for your friendship and for allowing him to travel with you to Atlanta and Florida; further to your conversation about the Stairmaster, he forwards a brochure (attached) on a cross training machine that he says has less impact and works more muscles; (4) Note from Rep. Hutchinson -- thanks you for your encouraging note following his mother's death; his mother often reminisced about her trip to Washington for his swearing in; a highlight of that trip was the time she spent with you in the Oval Office; (5) Letter from Rep. Snyder -- thanks you for bringing the "Big Bird" to Little Rock Air Force Base; thought the time went very well; sometimes worries that your current job is too isolating for a country boy used to the open spaces of Arkansas; says, "I hope you know I have great respect for the work that you've done for our country and for the person that you are. While you and I were never close friends in Arkansas during our one legislative session together, I hope you know I consider you a friend and . . . I worry that the bastards might be getting you down. Hang in there, Mr. President, and please call if I can be of help."

8-10-98

THE WHITE HOUSE

WASHINGTON

August 8, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: SEAN MALONEY 

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

cc: Balus
Humm
Bozala
Squib
Wright

(A) **Sid Blumenthal Memo on the Economic Message** -- interesting memo from Sid; argues that merely pointing back to the accomplishments of the '93 and '97 budgets may convey an impression of current passivity; says you must make clear that management of the new economy is a day-to-day matter, one that you grasp and that underlies your current policies; you should present the Republicans' obstructionism as a threat to the economic future (*i.e.*, they don't understand the new economy); Sid attaches some poll numbers indicating that the economy remains *the* central political question; *please see Sid's memo.*

(B) **NYT/Andrew Sullivan Op-Ed forwarded by Richard Socarides** -- looks at the recent debate over gay/lesbian issues and the Right's rhetoric of finding a "cure."

my
regy

(C) **Congressional Correspondence forwarded by Janet Murguia** -- (1) **Letter from Sen. Moynihan** -- says "Well done" on the Y2K event; "I think we're in time -- just," says "you're onto it" and Sen. Bennett is leading a special Senate committee with his usual energy; "But it will be, as the Duke said of Waterloo, 'a close run thing,'" (2) **Note from Rep. DeFazio** -- sends a belated note of thanks for your visit to Thurston High in Springfield, also thanks you for including the National Guard Armory relocation in next year's budget, (3) **Note from Rep. Deutsch** -- thanks you for your friendship and for allowing him to travel with you to Atlanta and Florida; further to your conversation about the Stairmaster, he forwards a brochure (attached) on a cross training machine that he says has less impact and works more muscles; (4) **Note from Rep. Hutchinson** -- thanks you for your encouraging note following his mother's death; his mother often reminisced about her trip to Washington for his swearing in; a highlight of that trip was the time she spent with you in the Oval Office; (5) **Letter from Rep. Snyder** -- thanks you for bringing the "Big Bird" to Little Rock Air Force Base; thought the time went very well; sometimes worries that your current job is too isolating for a country boy used to the open spaces of Arkansas; says, "I hope you know I have great respect for the work that you've done for our country and for the person that you are. While you and I were never close friends in Arkansas during our one legislative session together, I hope you know I consider you a friend and . . . I worry that the bastards might be getting you down. Hang in there, Mr. President, and please call if I can be of help."

my
regy

copied
COS
Original sent
to Greenberger
for replies

THE PRESIDENT HAS SEEN
8-10-98

THE WHITE HOUSE
WASHINGTON

'98 AUG 5 PM8:43

July 31, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: JANET MURGUIA *JM*
SUBJECT: CONGRESSIONAL CORRESPONDENCE

Attached for your review are letters from the following Members of Congress:

- 1) Sen. Daniel Patrick Moynihan (D-NY), concerning the Year 2000 computer issue;
- 2) Rep. Peter A. DeFazio (D-OR), thanking you for your June 13 visit to Thurston High School in Springfield, Oregon;
- 3) Rep. Peter Deutsch (D-FL), thanking you for allowing him to travel with you on your July 9 trip to Atlanta and Florida;
- 4) Rep. Asa Hutchinson (R-AR), thanking you for your condolence letter upon the death of his mother; and,
- 5) Rep. Vic Snyder (D-AR), thanking you for your July 18 visit to Little Rock, Arkansas, and expressing his support.

Daniel Patrick Moynihan
New York

United States Senate
Washington, D. C.

July 15, 1998

Dear Mr. President:

Well done yesterday on the Year 2000 issue. I think we are in time. Just. I first learned about this from New York financial circles in late 1995. I was skeptical but asked the Congressional Research Service for a study. Which confirmed the doomsayers. I wrote you about this just two years ago saying, "I hope this letter reaches you." Obviously it did not, but four months later I got a response from Frank Raines which was equivocal at best.

No matter. You're onto it and so to an extent are we up here. Bob Bennett is leading a special committee with his usual energy. We had a good hearing in Manhattan just last week. Steve Horn in the House is remarkable. But it will be, as the Duke said of Waterloo, "a close run thing."

Respectfully,

A handwritten signature in black ink, consisting of a series of short horizontal dashes followed by a long, sweeping horizontal line that curves slightly upwards at the end.

The President
The White House
Washington, DC 20500

Enclosure



HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

PETER DEFazio
FOURTH DISTRICT
OREGON

Mr President:

This is a belated note of thanks
for your visit to Thurston High in
Springfield. I continue to hear positive
comments in the community for the time

you took out of your busy schedule.
Thanks also for your positive
reaction on funding the Natl. Guard
armory relocation in next year's
budget. That relocation will allow
our Youth Campus detention/intervention
prevention projects to move forward.
Pete Defazio



CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

PETER DEUTSCH
20TH DISTRICT, FLORIDA

7/19

Dear Mr. President,

Words could never
express my appreciation for
you allowing me to travel
with you to Atlanta
and Florida! Looking

forward to our continued
long enjoyable friendship
friendship which will benefit
the people of the
United States and the entire
World!

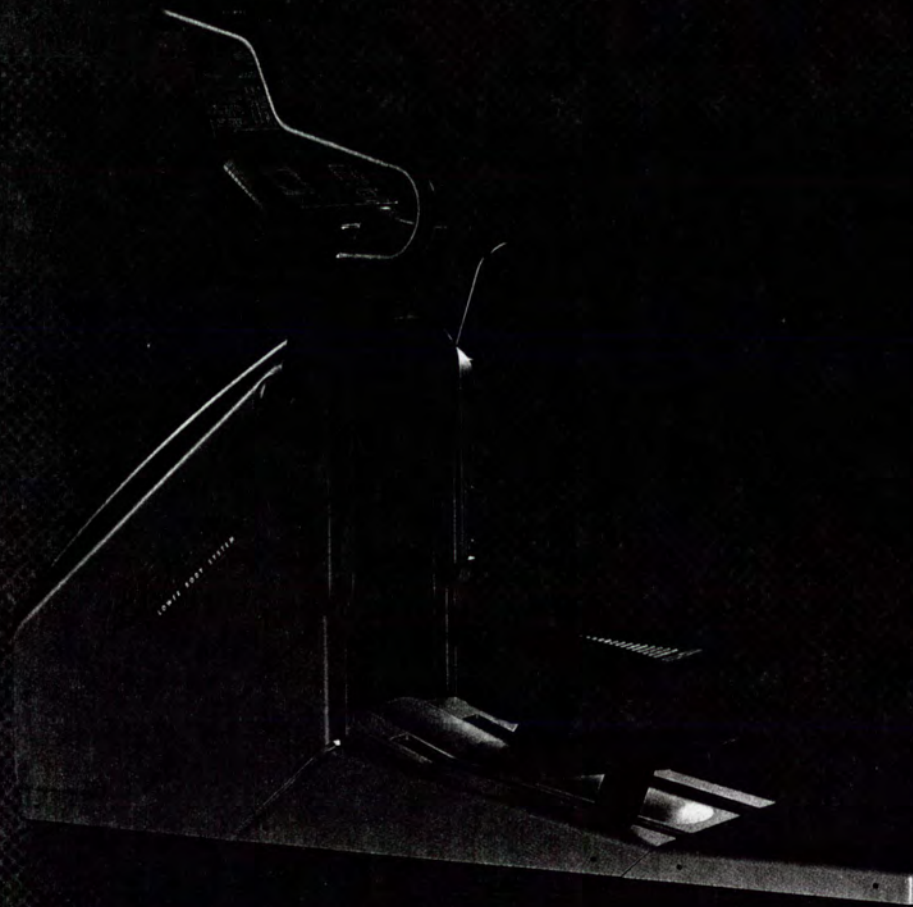
Warmest
regards,

RL

P.S. You mentioned you've been
working out on a Stairmaster. I'm
enclosing some information about a
cross trainer which has less impact ^{and works} more muscles.

Life Fitness Cross-Trainers

*The Most Versatile,
Most Effective
Cardiovascular
Equipment Ever.*



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- **Exclusive Interactive Heart Rate Programs** _____ Automatically adjust resistance to keep user at target heart rate. Prevents over-training, under-training, and burnout.
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- **Built-in Accessory Tray & Instructional Placard/ Reading Rack** _____ Provides conveniences that today's members want.
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ASA HUTCHINSON
MEMBER OF CONGRESS
THIRD DISTRICT ARKANSAS



**Congress of the United States
House of Representatives**

July 21, 1998

The Honorable William Jefferson Clinton
The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Thanks for your encouraging note on my mother's death. The support of friends across Arkansas has been a source of strength for the Hutchinson family and your message was particularly uplifting.

Mother often reminisced about her trip to Washington last year during my Swearing In Ceremony. In addition to the ceremony, another highlight of her visit was the time spent with you in the Oval Office. I appreciate the time that you spent with her.

With kind regards,

Sincerely,

A handwritten signature of Asa Hutchinson, consisting of a stylized 'A' followed by a cursive 'H'.

Asa Hutchinson
Member of Congress

AH:dll

VIC SNYDER
2D DISTRICT, ARKANSAS

HOME OFFICE:
1527 FEDERAL BUILDING
700 W. CAPITOL AVENUE
LITTLE ROCK, AR 72201-3270
(501) 324-5941
TDD (501) 324-5922

Congress of the United States
House of Representatives
Washington, DC 20515-0402

COMMITTEE ON NATIONAL SECURITY
COMMITTEE ON VETERANS' AFFAIRS

WASHINGTON, DC OFFICE
1319 LONGWORTH BUILDING
WASHINGTON, DC 20515-0402
(202) 225-2506
SNYDER.CONGRESS@MAIL.HOUSE.GOV

July 22, 1998

Dear Mr. President,

Thanks so much for bringing the Big Bird to Little Rock Air Force Base. I thought the time there went very well - I hope you thought it was worthwhile; and more importantly, I hope it was a boost for you. Frankly I sometimes worry that your current job is far too isolating for you or any other country boy used to the more open spaces of Arkansas.

I hope you know I have great respect for the work that you've done for our country and for the person that you are. While you and I never were close friends in Arkansas during our one legislative session together, I hope you know I consider you a friend - and as friends sometimes do, I occasionally worry that the bastards might be getting you down. Hang in there, Mr. President, and please call if I can ever be of help -

Vic

8-10-98

THE WHITE HOUSE

WASHINGTON

August 8, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: SEAN MALONEY 

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

- cc: Rahm
Hamm
Bogala
Capps
Guth
Waldman
- (A) **Sid Blumenthal Memo on the Economic Message** -- interesting memo from Sid; argues that merely pointing back to the accomplishments of the '93 and '97 budgets may convey an impression of current passivity; says you must make clear that management of the new economy is a day-to-day matter, one that you grasp and that underlies your current policies; you should present the Republicans' obstructionism as a threat to the economic future (i.e., they don't understand the new economy); Sid attaches some poll numbers indicating that the economy remains *the* central political question; *please see Sid's memo.*

Tab A - page 1 cover + Tab A: Emanuel/Lewis/
Bogala/Waldman/
Capps/COS

Tab C - page 1 cover + Tab C: COS/original to
Greenberger for
reply

THE PRESIDENT HAS SEEN
8-10-98

THE WHITE HOUSE
WASHINGTON

August 4, 1998

98 AUG 04 2:09

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE BOWLES
 GENE SPERLING

FROM: SIDNEY BLUMENTHAL *MB*

SUBJECT: The Economic Message

*Copied
Emanuel
Lewis
Begala
Waldman
Capps
COS*

Two years ago, the principal challenge politically was to receive credit for the economic program. Now, the challenge involves more than claiming credit for having put in place an economic program through the 1993 and 1997 budgets. Just a short time ago, being acknowledged for this accomplishment was hard to force and making the case seemed novel. But the situation has changed.

Simply referring to past actions, however difficult, however essential, is beginning to suggest a valedictory tone. Even though the program was enacted under the most contentious circumstances, pointing back to them, may, *by itself*, convey an impression of current passivity. It suggests that the hard work lies behind us, that the operation of the economy, once it was adjusted, is now on a kind of auto-pilot. This misimpression may be further underlined by the Republican obstruction of the President's program: Nothing is happening, and nothing needs to happen; perhaps nothing should happen. By this implicit logic, giving credit to the President for the economy perversely justifies the Republicans' blockage. A new dynamic must be set in motion.

1. The President must make clear that the management of the economy is a day-to-day matter. It requires the closest concentration and greatest care. The reason is that if the President is not the master economic manager, the risks are manifold: (a) If the economic program that the President has developed is not pursued, the economy might unravel; (b) If the forces of the accelerating global economy are not constantly balanced and stabilized, the economy might slide.
2. The President is able to act day to day because he understands the new economy. This argument does not suggest that the laws of economics have been repealed and that utopia

has been entered. On the contrary, the President should argue that he has carefully created policies in which real wages have risen for the first time in more than a generation while inflation is low because he grasps the structural changes underlying the new economy and helped bring them to realization. However, the president should argue at the same time that he also understands that the cyclical forces are potentially threatening to the new economy because of its nature. Constant attention is demanded. By making his case as the one whose policies enabled the new economy to flourish, the President will establish the continuum between what he did in 1993 and 1997 and what he is doing today. His program is not a question of history, but all of a piece. What was done before enables us to do what we must and can today.

3. The Republicans' obstruction in the Congress makes the assertion of economy mastery that much more imperative. The public tends to see foreign policy and the economy as the two largest realms and, as a result, beyond the legislative smallness of the congressional hive. While pundits might opine that the President isn't being effective, loosely shifting blame from the Republicans to him, his current actions on the economy would belie for the vast majority of the public any such criticism. The more the President is seen to be engaged in the economy, the more the public will give him credit for *action*.
4. The bills that the Republicans are obstructing should, wherever possible, be explained as contributing to the stability and expansion of the economy. The public especially regards education as the means of economic opportunity in the new economy. Conversely, the Republicans' opposition should be presented as a threat to the economic future. They do not understand the new economy; their incomprehension of the modern economy and their impulse to retreat to the failed policies of the past would threaten economic stability and shutdown the opportunity that has been opened; *they* are the risk.
5. The President has made it clear, time and again, that foreign policy and domestic policy in this age are one and the same. Whenever he can, he should stress the point. The trip to Russia, for example, is being widely viewed as concerned about traditional national security issues (especially arms control) and will not produce major achievements. But if the trip is seen as about economic stability and the future of the US economy by extension, he will be understood to be undertaking an important mission at this moment of uncertainty.
6. The economy remains the central political question, not the recessive one, despite immediate crisis. The economy may also be the marginal issue that holds the key to the midterms. I've enclosed a poll done in swing districts by a Republican polling firm that demonstrates the salience of the economy there. It's still the economy...

► POLL UPDATE

31 KIERAN MAHONEY & ASSOCIATES (R): Polling In Swing CDs

Conducted 7/17-20; surveyed 800 likely voters in swing congressional districts nationwide for the Republican Leadership Council; margin of error +/- 3.46% (release, 7/24). Interviews were conducted in the 77 congressional districts where the Republican candidate/incumbent for Congress in 1996 won or lost the district by a margin of 10 points or less. For complete question wording and more, see Poll Track.

Clinton Name ID
Favorable 47%
Unfavorable 42

GOP Name ID
Favorable 42%
Unfavorable 28

Dem Party Name ID
Favorable 42%
Unfavorable 30

For Cong, Lkly Vote:
GOP 37
Dem 36

Issues Most Concern You?
Economic 41%
Social 31
Moral 12
Urban 6
Foreign Affairs 5

Issues Concern GOP Most:
Economic 42%
Moral 16
Foreign Affairs 9
Social 4
Urban 3

Approve/Disapprove Of:

	App	Disapp
Merit pay for good teachers	84%	11%
Competency testing for teachers to ensure teachers know the subject matter they are teaching	93	4
Reforming the IRS and simplifying the tax code	92	3
Creating tax deferred education savings accounts for parents to invest up to \$2K/year for children's education, including books, tutoring?	87	7
Eliminating the capital gains tax	52	24
Eliminating the estate tax	66	21
Eliminating the marriage penalty tax	56	13
Prosecuting juveniles committing violent crimes, such as murder, as adults	79	10
Eliminating the Departs of Energy and Commerce	24	45

(Asked of GOPers)
Will Vote GOP For Cong.:
Definitely 27%
Probably 48
Somewhat likely 13

(Asked of Dems)
Will Vote Dem For Cong.:
Definitely 26%
Probably 33
Somewhat likely 19

60p
Definately not likely 2

More Likely To Vote GOP If
GOPers In Congress Focused:
On Economic issues 59%
On Moral issues 19

(Back to Contents)

Dem
Definately not likely 4

More Likely To Vote GOP If
GOPers In Congress Focused:
On Economic issues 37%
On Education issues 42

WASHINGTON EDITION

Angeles

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Southern
California's
Newspaper

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21

Mapped Evolving Threat

■ Pentagon study warned
of attacks of greater
frequency and scope.
Many of its predictions
have come true.

By ROBIN WRIGHT
TIMES STAFF WRITER

WASHINGTON—A few years ago, the Pentagon's secretive Office on Special Operations and Low Intensity Conflict quietly buried one of the most comprehensive reports ever commissioned on the changing patterns of global terrorism.

The "Terror 2000" findings compiled by 41 experts—including former ranking CIA, FBI, State Department and Rand Corp. officials, as well as an ex-KGB general and Israeli intelligence agent—were deemed too alarmist and far-fetched. "Outrageous," commented one CIA official. Even a sanitized version designed to promote public preparedness was axed.

The only catch is that many of its predictions have since come true.

Among them: International terrorism would reach American shores, potentially targeting a major U.S. financial center. Home-

After Storms, First Lady Finally Shines

By ELIZABETH SHOGREN
TIMES STAFF WRITER

WASHINGTON—Not counting her husband, Hillary Rodham Clinton has outpaced all other Democrats in recent months in raising money to win back the House of Representatives.

The first lady is hot. And Democratic candidates and operatives are doing all they can to make the most of it—despite President Clinton's problems.

After years of lousy showings in public opinion polls—sometimes lower than her husband's—Mrs. Clinton's favorable ratings returned to a high level that

Plays for HILLARY, AS

Parks Puts Own Stamp on LAPD in First Year

By MATT LAIT
TIMES STAFF WRITER

He's feared and revered, loved and hated. A no-nonsense workaholic leader on a mission to mold the Los Angeles Police Department in his own ramrod-straight image.

As Bernard C. Parks marks his first anniversary this week as the city's police chief—a job he long coveted—nearly everyone agrees the LAPD has undergone a remarkable transformation. Parks



Thousands of Kenyans gather in a park in Nairobi to mourn for the nearly 200 victims of the bombing of the U.S. Emb

Attack Leaves Kenya Asking: 'Why Here?'

Continued from A1

"I think she did give in to her



Writing a best-selling book about raising children ("It Takes a Village"), traveling with daughter Chelsea, talking about her daughter in folksy ways in her weekly newspaper column and touring America's historic treasures with a press corps in tow have all helped soften Mrs. Clinton's public image. When she talks about child care for preschoolers, her current *cause celebre*, she never wanders into controversial territory such as the

"My sense is that she is a person who believed because of her upbringing, her culture and her education that the individual has considerable control over events," added the official, who has known Mrs. Clinton for decades. "After the

"She is a huge asset."

Lady Undergoes a Political Metamorphosis



Reuters

Clinton, arriving at church with her husband and daughter, has evolved into a political force for Democratic candidates.

et Urchfitz, 50, engineering at of Technology, e thousands of ened to Mrs. Seneca Falls. that she had to was in office. I ter they leave

ongtime sup- ful, believing ne fiery Mrs. t to take an dministration, aking a page political man- ne more palat- that she cares has won many olitical center. ost seemed like ho had run for ol Griffith, 42, a who runs the program at a in Buffalo, N.Y. are now. She's he's got a better can actually do

t-selling book ren ("It Takes a g with daughter out her daugh- s in her weekly n and touring treasures with a have all helped n's public image. out child care for current cause r wanders into tory such as the

health-care initiative.

The clincher for Griffith and other former Hillary skeptics was watching her "weathering the storms" of the last several years, particularly the accusations of the president's sexual misconduct and the media's obsession with the topic. "I think she's going through a tremendous amount of duress and is still standing up well," Griffith added. "That's got to count for something."

Some people who have been close to the first lady for a long time caution that, while her public persona now resembles that of her husband's—the centrist, consensus-building politician—there is a dramatic difference. "The private Hillary is very different from the public Hillary . . .," said one former senior White House official, who spoke on condition that he not be named. "She's harder-edged and less compromising than the president in private."

In the first years of the Clinton presidency, before the searing defeat of the health-care reform initiative that she headed, what the public saw was more like the private Mrs. Clinton. That experience taught her that her husband's approach to politics—pragmatic progress and incremental goals—can be more effective.

"My sense is that she is a person who believed because of her upbringing, her culture and her education that the individual has considerable control over events," added the official, who has known Mrs. Clinton for decades. "After the

experiences of 1993 and 1994 in Washington, she now understands that is not necessarily true. I don't think she's compromised her goals or vision of what she wants to accomplish. What she has done very dramatically is change how she operates."

Whether Mrs. Clinton simply has altered her public image, her metamorphosis has delighted Democratic officials, who have eagerly used her broadening appeal to try to improve the party's chances in the upcoming congressional elections. Both house now are controlled by Republicans. The Democrats need to win 12 seats to be assured of taking control of the House.

For the first time, she penned major fund-raising letters for both Democratic congressional campaign committees.

First Lady Leading Fund-Raising Frenzy

She has broken her own record for campaigning for candidates other than her husband and has a busy schedule in the fall for more campaigning, according to her staff. Other first ladies' political efforts for candidates other than their husband pale in comparison to hers, according to presidential scholar Carl Anthony. Mrs. Clinton has attended events for at least a dozen House candidates, many of them newcomers, raising hundreds of thousands of dollars.

"She is a huge asset," said Dan

Sallick, spokesman for the Democratic Congressional Campaign Committee, which works on behalf of House candidates. "Every one of these trips has been a slam dunk, both in terms of money and message."

Most impressive to Democratic operatives is just how willing Mrs. Clinton has been to respond to their advice about where she should go to help in the most critical races. With only two days' notice, she traveled to Albuquerque on Father's Day for an event for Phil Maloof, the unsuccessful Democratic candidate in a special election. Although Mrs. Clinton has stumped for incumbents with whom she has worked closely on issues like health care and child care, she has also worked hard for challengers she had never met.

Mrs. Clinton is a particularly welcome face on the campaign trail because she has come to personify the Democrats' increasingly mainstream approach to social issues. She also draws unlikely donors.

Like many of the 200 people at a fund-raiser in Ithaca, N.Y., last month, Lorraine McNett paid \$100 to see Mrs. Clinton—not to forward the career of the candidate, Rep. Maurice D. Hinchey.

"I don't know that much about him," confessed McNett, 47, who teaches adult literacy classes. "I'm not a dyed-in-the-wool Democrat."

The evening netted Hinchey \$30,000, but, more important, it gave him valuable television time with Mrs. Clinton.

No one has benefited more from the first lady's zeal for politicking than Sen. Barbara Boxer (D-Calif.), who is in a difficult race. The first lady already has headlined five fund-raisers for Boxer, bringing in \$700,000 for the senator's effort to fend off Republican challenger Matt Fong.

"It's a big help," Boxer said. "It makes my events more exciting and interesting. She has stood in line for hours [as photographers have snapped pictures] and been incredibly gracious."

Boxer is getting a lot of the first lady's time for several reasons. She and the first lady agree on a wide range of issues, and she faces a difficult race with Fong. But the relationship also involves family: Boxer's daughter is married to Mrs. Clinton's brother.

In addition to hitting the campaign trail and raising cash for critical races, the first lady is also at the center of a White House effort to build a new intellectual framework that unites both liberal and centrist factions of the party.

Sitting at a table in the White House Map Room, Mrs. Clinton orchestrated a 2 1/2-hour discussion last month with 16 Democratic intellectuals from outside the administration as well as key officials of the White House and Vice President Al Gore's staffs.

"She pushed hard to find common ground and urged people to talk about the positions that divide us," said Benjamin R. Barber, a Rutgers University political scientist. "Her leadership comes out of wanting to see her issues—education, health care, children—addressed in the future."

Speculation on Her Next Role

Mrs. Clinton's enthusiasm for politics and her celebrity and increasing popularity have sparked speculation about what she will do with her huge political base when her husband's presidency ends.

Boxer said she hopes the first lady will run for office herself.

"I think she's extraordinarily talented and gifted, and I'd hate to see her leave the public sector," Boxer said.

"But I don't know what she has in mind after she leaves the White House. I've asked her, but she just says: 'It's almost like we're not thinking past that day.'"

But Marcia Berry, the first lady's spokeswoman, said that she does not believe running for office is in Mrs. Clinton's future. Nonetheless, Berry expects her to continue to exert her influence—as an unelected advocate with a huge following—on issues that the first lady cares about.

"She doesn't have to run for office to be an important person in the future of the Democratic Party," said Elaine Kamark, a Harvard University professor who attended Mrs. Clinton's White House meeting of intellectuals. "She will be."

WASHINGTON EDITION

Los Angeles Times

Monday
August 10
1998

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DAILY \$1.00
AN EDITION OF THE LOS ANGELES TIMES

**After Storms,
First Lady
Finally Shines**

By ELIZABETH SHOGREN
TIMES STAFF WRITER



**U.S. Teams Arrive
in Nairobi; Blast**

Victims Mourn

THE WHITE HOUSE
WASHINGTON

DATE: 8-10-98

NOTE FOR: The Honorable Bruce Babbitt

The President has reviewed the attached, and it is forwarded to you
for your:

Information ☒

Action ☐

8-10-98

Okay for dispatch?

Yes

no

Thank you.

cc:

CC-Katille6
B. Babbitt

SPECIAL ANALYSIS

Conserving Species without Breaking the Bank

The Endangered Species Act prohibits actions that may lead to the extinction of species and requires the government to implement recovery plans that will restore healthy populations. However, protecting all species is currently beyond the means of both public and private conservation agencies. What is the best way to use limited resources to achieve conservation benefits?

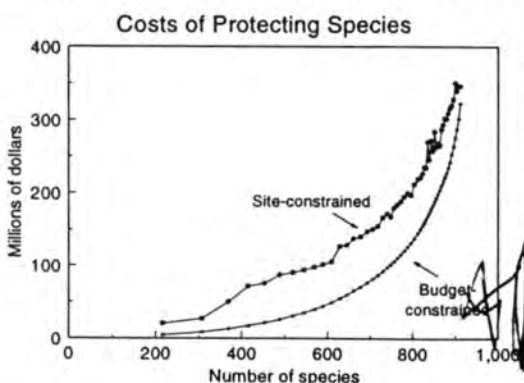
Selecting priority areas. A recent study by conservation biologists indicates that the vast majority of domestic species on the endangered species list can be protected by targeting a small number of high-priority areas. This study implicitly assumes that the cost of setting aside land for conservation is the same in all areas. The priority areas that were selected, however, include some of the most expensive land in the United States (including Hawaii and much of coastal California). The same number of species could be protected at lower cost by taking land costs into account.

A cost-effective conservation strategy. A recent economic study illustrates this point. It treats a listed endangered species as protected if it occurs in at least one county where a biological reserve site is established. For simplicity, reserve sites in all counties are assumed to be the same size. Using data on the occurrence of listed species and the per acre land value by county, the study assesses the number of species protected and the total cost of choosing different sites for biological reserves under two different protection strategies:

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Mc Ginty
See Babb.
COS

- site-constrained, where the objective is to choose sites that cover the maximum number of species, given that a fixed number of sites will be chosen.
- budget-constrained, where the objective is to choose sites that cover the maximum number of species given a fixed budget.

Findings. The chart shows that the budget-constrained strategy protects listed species at far lower cost than the site-constrained strategy. (Costs are illustrative and



assume 1,000 acres are set aside for each protected site.) For example, the costs of covering approximately half of the listed species under the budget-constrained approach are about a third those under the site-constrained approach. By choosing sites that are one-sixth as expensive, on average, the budget-constrained approach has twice as many reserve sites, protects as many species, and still costs far less than the site-constrained approach. The

chart also illustrates how the total costs of species protection rise slowly at first under the cost-effective strategy, but eventually rise very sharply.



Stanley K. Sheinbaum

29 July, 1998

President Bill Clinton
The White House—West Wing
Via Fax

Dear Bill,

Two suggestions for helping with the impasse in the Middle East negotiations. First and as you know an American plan was submitted to Chairman Arafat and to Prime Minister Netanyahu in January of this year. fairly short time Chairman Arafat basically agreed to its terms. However, Prime Minister Netanyahu resists signing on.

This has created some problems for Chairman Arafat with his own constituency, his having appeared to be too ready to accept the American plan. Inasmuch as his constituency does not know the details of what it is that he has signed onto he is in a vulnerable position with them. Those among the Palestinians who want to undermine him are literally accusing him of "selling out". The point is that if the American proposal were made public then the concept of selling out would be seen as not being relevant, and Arafat would be freer to apply further anti-terrorist discipline on extremist Palestinians—which in turn hopefully would free up Netanyahu to buy into the American proposal. Not much but could be useful.

His problem is made more difficult inasmuch as he early on publicly committed strongly to Oslo, and for that reason also his constituency's loyalty already was in some doubt. And if we lose both him and them the odds of a stable peace are seriously diminished.

Vis-à-vis the Israelis, publicly releasing the American proposal would provide insight for the Israelis as to how frivolous was Netanyahu's unwillingness to go along given the mildness of the proposal.

On a related matter and given the possible breakdown in the Mid-East talks I want to go back to a suggestion I made three or four years ago. Even though Oslo seemed to get things moving again the talks have most of the time since been either sporadic or non-existent. The US has either played the neutral mediator friendly to both sides or at least once has actually gone further and overcame its reticence to be more forceful; e.g. the alluded-to January American proposal. Certainly because of domestic considerations there are serious limits to how far State and you can go in pressuring the Israelis.

8-10-98

*Sandy
I need to
sign to
Agonytobin
JRC*

*1. Ce
7/31
2. President
Burger*

*Copied
Burger
NSC WW Desk
COS*

President Bill Clinton
29 July, 1998
Page 2

On the other hand there is a subtle almost transparent way of pressuring without being overt or explicit about it, i.e. without focusing on "us". About three or so years ago I suggested that you appoint a Special Envoy, even though that was in the context of Assad in Syria. The Envoy would literally move in on the situation—almost live there. He or she should be a person of such stature that recommendations to both sides would be taken more seriously. In those days—after my own meeting with Assad—and in my 5/1/95 letter to you (enclosed) I recommended George Mitchell, Lloyd Bentsen, Bob Strauss, Colin Powell, Larry Eagleberger and Jim Baker. Now I would add Alan Simpson or Richard Lugar, the former obviously being more available. Secretary Albright despite the stature of her official position could not possibly take on this chore if only for the simple reason that the rest of the whole world is in her bailiwick. Part of the problem now is also that Dennis Ross for reasons well beyond himself has been going at it for almost a decade and he basically carries very little weight with him. He may be very competent but the lack of stature is hardly his own doing. It is just in the nature of his situation. And he has been running back and forth these many years without significant progress, which also affects his lack of stature.

The Special Envoy formula worked with George Mitchell in Ireland—even though we haven't heard the end of that situation yet. When I first proposed this I also suggested Vice President Gore but he clearly was not pleased by the proposal. One can understand that someone with his promise and future could not and should not take on that chore. Anyway, we need a little swat in the act and a Special Envoy is the way to do it. Please think about it carefully. I have already talked to Martin Indyk about it and to Greg Craig.

The particular new suggestion of Alan Simpson has special merit. A Republican as Special Envoy would remove considerable partisan heat should Gingrich and Company attempt to resort to that tactic. I also urge Jim Baker to be reconsidered.

Respectfully,

A handwritten signature in black ink, appearing to read "Stanley", with a large, sweeping flourish extending from the end of the name.

Stanley K. Sheinbaum
SKS/kc
enclosure



Stanley K. Sheinbaum

SUB FILE

FAXED

May 1, 1995

~~CONFIDENTIAL~~

President Bill Clinton

DETERMINED TO BE AN ADMINISTRATIVE

via fax

MARKING INITIALS: MSDATE: 1/14/22

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Dear Mr. President:

After I saw President Assad of Syria late in February I wrote you on March 9 summarizing that experience and recommending that you appoint a Special Advisor to make a stern and persistent assault—to use a militaristic word—on Assad because I did not think he was taking the US effort seriously enough. It would have to be someone of considerable stature, and someone who could stay in the region for a matter of months assiduously backing Assad to the wall, hounding him until an Israeli-Syrian agreement could be reached. Unfortunately, with all his responsibilities Secretary Christopher cannot input that kind of time or effort. Anyone short of his reputation and strength would be toyed with by Assad.

Just at the time that I returned, Secretary Christopher and his aide Dennis Ross were themselves on their way to the Middle East whereupon Tony Lake at your instruction called to tell me that until the results of those visits could be evaluated it would be best to put my recommendation for a Special Advisor on hold. Naturally, I agreed and was pleased that you took my recommendation that seriously.

The early word about the results seemed very optimistic. The negotiations would be resumed--obviously a plus--and I hoped to hear more about the basis for optimism. Unfortunately, more was not forthcoming and in a matter of two or three weeks even Dennis Ross appeared to be pulling back from the early optimism.

Therefore I reiterate my conclusion that Assad has to be dealt with more firmly than before, if a peaceful resolution is to be achieved.

In the meanwhile time is a-wasting. With the Israeli elections next year time is clearly running out for Rabin and Labor. Arafat lacks the strength to come down sufficiently hard on the Islamic fundamentalists to sufficiently satisfy the Israeli people. At the same time failure for Prime Minister Rabin to make progress with President Assad compounds his electoral problem. If I could give advice to Rabin I would urge a strong but carefully tailored action to deal with the Syrians on the southern Lebanon problem. The specifics are tactical questions, and not for the inexpert like myself. (I am supposed to be a dove, and here I am thinking in such terms. However, it reflects how direly I have come to see the situation.) In any event, such a move would both put Assad on notice at the same time it would

President Bill Clinton

May 1, 1995

Page 2

CONFIDENTIAL

demonstrate to the Israelis what they want and need to hear, namely that Rabin is not letting the Israelis and himself be pushed around. (Note that last week's Gallup poll has Rabin at 20 percent while Netanyahu is at 43 percent. Time is a-wasting.)

Never forget that a resolution in the Middle East will be a huge benefit politically for you here at home. The two gents with whom I am working on all this and whose names I have given to you are both politically sophisticated—as I sometimes think I am. As strong as our wish is to do what we can to help you resolve the Middle East question, even more strongly we believe that such an achievement would very well be a major asset in your 1996 campaign. While the September 1993 "signing on the lawn" with Arafat for days attracted national and international attention, the impact of this would be a quantum jump from that. (Your handling of Oklahoma City has clearly started you around that corner.) So we strongly and firmly believe that your getting Assad in line should be at the very top of your priorities. And whereas I think he is and has been toying with everybody and even with you, it is time for you to apply this Special Advisor strategy. And in his mind, although he thinks you need him, he knows that he needs you. He even rejected meeting directly with Prime Minister Rabin despite a chance at a better deal were he to do so. He was willing to forego that advantage because of his strong desire to be the lead Arab in the region which requires at least the perception of a truly active involvement by the US. However these current periodic and intermittent quick visits don't give him or his peers that sense. He is also convinced—and he spent a lot of time with me on this point—that no resolution would be of consequence unless a strong third party, only the US, were to have its imprimatur on it. I do not believe he is convinced that you are ready for that. Once again, I go back to the need for a Special Advisor to keep banging on his door.

Now there is a new worry. Foreign Minister Shimon Peres, for whom I have the greatest respect, is suddenly making noises that add up to an even softer stance toward Assad than has been the case until now. He is saying such things like we have to show Assad that he will get more than Sadat did at Camp David. This is exactly the reverse of how Assad should be handled.

On Tuesday a week ago, the 18th, I spoke with George Stephanopoulos, laid out my thinking, and went through some names with him. Names are not easily forthcoming as you can imagine. You will undoubtedly have more. I will not go through the pros and cons of each of those I am listing. You don't need me for that: George Mitchell, Lloyd Bentsen, Bob Strauss, Colin Powell, Larry Eagleberger and Jim Baker. Stephanopoulos was wary of Baker for fear that he might turn it to some political advantage against you. I cannot judge that but we know that both Rabin and Assad respect him—a huge plus. I would not be averse to a solid Republican, and Richard Lugar comes to mind although his recent announcement to go for the presidency just about wipes him out. (I am reminded how Roosevelt at the

President Bill Clinton

May 1, 1995

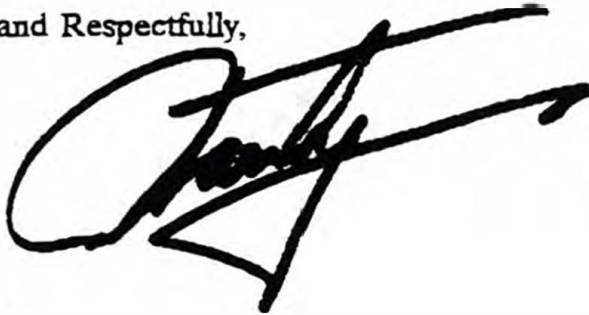
Page 3

CONFIDENTIAL

beginning of the war appointed Frank Knox to be Secretary of the Navy which helped bring the country together at that time.)

Lastly, and the highest on my list is Vice President Gore. I know you could think of an infinity of reasons why you could not let him be away at this time. I would also guess that he would scream blue murder about that possibility, but from his point of view it would sky rocket him toward the year 2000. From "our" point of view his knowledge of the area when combined with his general competence would be perfect. Assad would take him most seriously—which, after all, is my main purpose.

Regards and Respectfully,



SKS/kc
clinton7

cc: Anthony Lake
George Stephanopoulos

P.S. It may sound silly, but I analogize to the moment after the Rodney King beating out here when Mayor Bradley had to get the message through to Daryl Gates that he was intent on getting Gates to resign. So he appointed me as President of the Police Commission, because with me as former Chairman of the ACLU of Southern California, and therefore a supposed "cop hater", it was clear to Gates and to all the newspapers that that was the message. And it worked. (You were here at the beginning of all that.) A prestigious Envoy will tell Assad it's time to do business. You'll be amazed at the result.

P.P.S. One prior suggestion: You should discuss the Special Envoy possibility with Rabin.

THE WHITE HOUSE
WASHINGTON

August 8, 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) Communications/Upcoming Speeches Reports
- (H) Legislative Report
- (I) Public Liaison Report
- (J) Intergovernmental Report
- (K) Race Initiative Report
- (L) Cabinet Affairs Report
- (M) Political Report

Phil Caplan

Tab A - Yellow/COS
page 2: McGinty/Babbitt/COS
page 6: VP/Reed/COS

Tab C - Reed/Kagan/COS

Tab D - Sperling/COS

Tab E - McGinty/COS

Tab F - Lane/COS

Tab I - Moore/COS

page 2: Berger/COS
page 3: Ibarra/COS/KLAIN

8-10-98

THE WHITE HOUSE

WASHINGTON

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Ibarra
COS
page 3
Klain

August 7, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra



SUBJECT: Office of Intergovernmental Affairs Weekly Report -- August 3 - 7, 1998

Federalism Executive Order

- We distributed to the Big Seven organizations the official suspension of Executive Order 13083, entitled "Federalism," to enable full and adequate consultation with State and local elected officials, their representative organizations, and other interested parties. Today they sent you a letter expressing appreciation and their desire to begin consultations in early September.

Y2K

- We hosted 10 organizations for Y2K consultations with John Koskinen. We urged the groups to support the, "Year 2000 Information Disclosure Act," which has limited liability protections for state and local governments who share Y2K solutions. The groups, which have already extensively engaged their constituents on Y2K, will participate in White House Y2K working groups. The National Conference of State Legislatures passed a resolution calling upon the Federal government to refrain from issuing any new regulations during the last six months of 1999 so that states can focus on addressing the Y2K challenge.

Census

- IGA continued its efforts to build support for an accurate 2000 census count. The National Association of Latino Elected and Appointed Officials are engaged in a wide ranging campaign to educate nearly 5,000 elected officials on this issue. A Legislative Action Alert to vote yes on the Mollohan Amendment was distributed along with a NALEO resolution endorsing sampling to ensure an accurate count.

NGA Annual Summer Meeting

- The National Governors Association (NGA) met in Milwaukee, WI this week. The Governors handed over the gavel to the new NGA Chair, Governor Tom Carper (D-DE) and Vice Chair, Governor Mike Leavitt (R-UT). While the meeting was generally light on policy, the Governors did express themselves on the following topics:

Federalism: They applauded our suspension of the Executive Order on Federalism, but strongly urged that we retain the existing Order.

Indian Gaming: They again expressed their anger with the Interior Department's approach to Indian Gaming. The governors believe it is tilted in favor of Indian gaming over state law, political opposition and the 10th Amendment. We have been working with the Interior Department to expand their role in on-going discussions with Secretary Babbitt and other stakeholders.

Cost Allocation: The governors supported policy calling on HHS and OMB to work with the states on a new policy for "cost allocation" which does not treat all states equally as their circumstances and approaches differ. We are arranging a team of administration officials to meet with the states next week to begin consultation.

Environment: NGA passed policy urging EPA to allow a larger state role and more flexibility in meeting environmental standards

Education: The governors called upon the Administration to reinvigorate its support for Ed-Flex. We are arranging for a meeting with state representatives and White House officials on this subject.

IMF Funding: Treasury Deputy Secretary Larry Summers spoke at the closing plenary, and the governors re-stated their support for IMF funding.

Governors

- At the NGA Meeting, the Democratic Governors met and heard from Gene Sperling, Maria Echeveste and Fred DuVal. We urged - and received - their support for our budget fight on the Hill - particularly for Saving Social Security First - as well as IMF funding, Census, Y2K liability legislation, and Health Care Bill of Rights. We also reminded them of our support for TEA 21, Internet tax, the state share of tobacco, reg reform, welfare reform, and the 28 states that now have CHIP programs.
- Governor Lawton Chiles (D-FL) received our help in speaking to Attorney General Reno regarding the illegal shut down of some Florida based nursing homes, and the mobilization of Florida and Texas Attorneys General in a coordinated response with the Department of Justice.

THE PRESIDENT HAS SEEN

8-10-98

- Governor Ed Schafer (R-ND) thanked us for our help in the selection of Sacajawea as the image for the new dollar coin.
- ✓ Governor Bob Miller (D-NV), who had expressed an interest in participating in a Presidential Delegation, was asked by White House Personnel to Head the Delegation to the Presidential Inauguration in Ecuador this weekend. The Governor is very pleased.
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- Governor Jeanne Shaheen (D-NH) asked for our help in facilitating a land exchange between the State of New Hampshire and the Forest Service, and we were able to arrange a meeting at NGA between the Governor and Agriculture Under Secretary Jim Lyons to review the issue. Mr. Lyons agreed to make a visit to New Hampshire and see the land with the Governor.
- Governor Mel Carnahan (D-MO) asked us to look at his daughter as a candidate for the opening in the White House Woman's office, and we are arranging for her to be interviewed.

Indian Country Conference

- *The White House Conference on Building Economic Self-Determination in Indian Communities* was a great success. There were over 800 people in attendance. Our guests included members from Indian Country, the business sector and from your Administration. Six Cabinet Secretaries spoke on Wednesday and several sub-cabinet officials participated. The conference prompted fifteen agencies to reevaluate their operations and relationship with Indian Country. The White House Working Group on American Indians and Native Alaskans will continue their advocacy for more progress. Your participation in the Conference reinforced the commitment you have made to positively impact the lives of Native Americans. This, no doubt, will be a great part of your legacy.

Insular Affairs

- A *Washington Post* editorial on Tuesday noted that you are "eager" to enable Puerto Ricans the opportunity to choose the Islands' future status. The editorial also supported Senator Murkowski's (R-AK) effort to have the Senate at least pass a scaled-down bill as

well as Governor Pedro Rossello's initiative to enable Puerto Ricans the opportunity to vote on the legislation's options even if a Federal law is not enacted.

Slovakia Officials

- IGA provided a briefing to 20 Slovaks participating in a study tour on citizen participation in local government sponsored by the International City/County Management Association (ICMA). They asked me to convey their gratitude for the support you have provided to bolster their efforts to build a strong democratic tradition.

THE WHITE HOUSE
WASHINGTON

Date 8-10-98

To: Ron Klain

From: The Staff Secretary

The attached is from the Office
of Intergovernmental Affairs
Weekly Report - August 3-7, 1998.

THE PRESIDENT HAS SEEN

8-10-98

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
8-10-98

August 7, 1998

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MINYON MOORE

SUBJECT: OFFICE OF PUBLIC LIAISON WEEKLY REPORT (August 3-August 7)

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ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

- **Patients Bill of Rights:** OPL received very positive feedback from the group of doctors, nurses, breast cancer survivors, labor workers, and social workers that attended your radio address on August 1. The Vice President also was very well received at a Patient's Bill of Rights event he attended in Kentucky. You will attend an event next week in Louisville, Kentucky, where the AMA has indicated physicians and nurses are very unhappy with Rep. Anne Northup over her opposition to the Patients Bill of Rights.
- **Africa Trade Bill:** The African Diplomatic Corps has issued letters to over 60 U.S. Senators, including Senate Majority Leader Trent Lott, urging them to support separate legislation on Africa trade and Fast Track. The organization was pleased with your statements supporting separate bills on each issue. Four African Ambassadors will participate in a town hall meeting on Africa hosted by the Rainbow/PUSH Coalition on August 15 to encourage support for the Africa Trade bill.
- **Tobacco:** Erskine Bowles met with representatives from the Flue Cured Stabilization and North Carolina Tobacco Growers Association to discuss their concerns over the economic impact the Administration's policies may have on tobacco growers. The farmers proposed several measures to protect their livelihood, including moving inventory to new markets and encouraging tobacco companies to buy more tobacco.
- **Value-based Youth Violence Prevention Initiative:** National children's organizations have expressed interest in your youth violence initiative. The children's groups include local parent activists, scientists and large social service organizations and coalitions, such as Volunteers of America, the National Association of Secondary School Principals, and the National Association of State Boards of Education.

CONSTITUENT OUTREACH AND OTHER ISSUES

AFRICAN AMERICAN OUTREACH

- **Health and Racial Disparity Briefing:** OPL hosted a briefing with Dr. David Satcher, Sandra Thurman, DPC, and OMB to raise awareness in the health and minority communities on the health disparities that exist along racial lines. The briefing was well attended, and the organizations are committed to pushing for legislation that addresses health disparities.

• **Liberian Deportation:** OPL continues to receive letters from Liberians requesting that you direct the INS to postpone the deportation of Liberian citizens residing in the U.S. under Temporary Protected Status. The Liberians face automatic deportation after September 28, 1998, but are requesting that you defer enforcement for one year.

• **National Association for Equal Opportunity in Higher Education (NAFEO) Presidential Conference:** OPL met with Historical Black Colleges Presidents to discuss your education initiatives and your commitment to Historically Black Colleges and Universities at the NAFEO Presidential Conference in South Carolina. Earl Richardson, your appointee to head the Historical Black College Advisory Board, is requesting that you meet with the new Board to discuss ways to broaden support for you. He also expressed interest in working with you on initiatives affecting higher education opportunities.

BUSINESS OUTREACH

- **Y2K Briefing:** OPL and Y2K hosted a briefing for 100 representatives of various corporations and associations to discuss the Administration's proposed Year 2000 Information Disclosure Act. The act, which was sent to Congress last week, would promote information sharing among businesses in the effort to solve the Year 2000 problem. John Kostkinen spoke to the representatives and took questions for over an hour. Interest in the briefing was overwhelming and response by those attending was positive.

EDUCATION OUTREACH

- **National School Modernization Day:** OPL, DPC, NEC, IGA, Cabinet Affairs, Political Affairs, and Legislative Affairs met with representatives from key education groups and the House and Senate policy committees to discuss plans for the upcoming National School Modernization Day. We outlined the day's events and strategized on coordinating local activities. The groups were enthusiastic about becoming involved and have pledged to arrange events across the country.

ETHNIC OUTREACH

- **Meeting with Albanian Community on Kosovo:** OPL met with members of the Albanian community to discuss their concerns over the continued violence in Kosovo. The number of refugees now totals 300,000, and over 200,000 are now homeless due to the continued burnings of homes and towns. The community is grateful for the Administration's open lines of communication on this issue. They also urge the Administration to follow up its strong statements against President Milosevic with strong action, whether through limited air strikes or an international peacekeeping force to negotiate a cease-fire. The community is confident that Congress will support such strong actions in this situation.

GAY AND LESBIAN OUTREACH

- **Nondiscrimination Executive Order:** The gay/lesbian community was very excited over the House vote upholding your nondiscrimination executive order. The vote marks the first time in history that Congress has sustained civil rights protections for gay and lesbian Americans. The community is extraordinarily grateful to you and the Vice President for your leadership on this issue.
- **D.C. Appropriations:** The provision approved in the House D.C. Appropriations bill banning adoptions by unmarried couples is expected to create a significant amount of anger in the community if it becomes law. The Statement of Administration Policy on this issue contained a veto threat.
- **Hormel nomination:** OPL met with staff from the offices of Senators Tom Daschle, Dianne Feinstein, Paul Wellstone and Gordon Smith. Sen. Feinstein plans a coordinated push to raise the nomination on the Senate floor with greater frequency and intensity when the Senate returns. They have asked us to schedule a White House event with civil rights leaders on the nomination.

HEALTH CARE OUTREACH

- **Children's Health Insurance Plan (CHIPS):** OPL, DPC, and the Office of the First Lady met with children's health advocates and representatives of the faith community to discuss the implementation of CHIPS. We are committed to getting materials to these families on the 800 number outreach and will convey recommendations from the advocates to the NEC, DPC, and First Lady's office. OPL also is engaging nonprofits in CHIPS outreach. Large social service organizations have a unique opportunity to educate communities on the process of providing social services and to target outreach in communities with large concentrations of uninsured children.

HISPANIC OUTREACH

- **INS Proposal:** OPL coordinated a conference call with the leading immigration advocates to inform them about the Administration's proposal for INS reform. We reassured them that although user fees are going to be increased despite the advocates' wishes, OMB, Justice, and the INS are committed to ensuring that fees will be used effectively. They were also reassured that the Administration would continue to work on reducing the backlog in processing naturalization applications.
- **National Community College Hispanic Council:** OPL met with the President of the National Community College Hispanic Council to discuss the importance of including community colleges in education initiatives targeted to the Latino/a community. The Council is concerned that community colleges are not addressed in Hispanic education initiatives despite the large percentage of Hispanic students they enroll. OPL assured the Council that you are very concerned with the needs of Latino/a students and highlighted the Hispanic Education Action Plan you proposed in your FY 1999 budget.
- **Latino Media Conference:** OPL, PIR, IGA, FCC and Legislative Affairs met with LULAC, La Raza, the National Association of Latino Elected Officials, the Congressional Hispanic Caucus Institute, and the National Hispanic Foundation for the Arts to discuss the participation of the PIR and FCC in the upcoming Latino Media Conference. The Hispanic community hopes that a discussion between media CEOs and the national Hispanic organizations, along with participation by the PIR and FCC, will help end the negative portrayal of Hispanics in the media. The conference will be held in Washington in September.

WOMEN'S OFFICE OUTREACH

- **At the Table Initiative:** The Women's Office is already receiving very positive feedback on the initial roundtable events we have hosted. We have scheduled six additional events in August in Atlanta, Palm Springs, San Francisco, and Maryland.

CONSTITUENT OUTREACH AND OTHER ISSUES

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

August 7, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE *Neal Lane*
CC: ERSKINE BOWLES
SUBJECT: OSTP WEEKLY REPORT

Advisory Committee Releases Plan for U.S. Leadership in Information Technology

In a report that will be released Monday, your Information Technology Advisory Committee sets out a bold agenda for ensuring America's leadership in the Information Age. PITAC stresses the importance of increasing our investments for vital, long-term, fundamental IT research to sustain future economic competitiveness, provide tools for lifelong learning, and solve critical problems affecting the environment, health care, and national security. PITAC recommends focusing future investments on: 1) techniques for developing software that is more dependable and reliable; 2) communications technology to combine networks, wireless, and satellite systems; 3) high-speed computers and software that can deliver useful performance that is a thousand times faster than today's most powerful supercomputers; and 4) socio-economic research that ensures that all Americans benefit from the opportunities of the Information Age. I will pay particular attention to this report in developing recommendations for your FY 2000 budget.

House Science Committee Remains Skeptical of Russia's Participation in Space Station

Jack Lew, Dan Goldin, and OSTP Associate Director Duncan Moore presented the Administration's strategy for ensuring Russia's successful completion of its International Space Station commitments and U.S. contingency plans to protect against potential future shortfalls at a hearing of the House Science Committee on August 5. The key elements of the strategy include ensuring on-time launch of the Russian Service Module in April 1999 and modifying the Shuttle orbiters to provide backup capability in case of future Russian problems delivering Progress resupply vehicles. Lew received most of the questions, and he clearly and consistently reiterated our position that the FY 1999 budget request is sufficient to cover our current commitments and and near-term contingency steps, and that we will ensure adequate funding for additional contingency steps, if required, in the budget requests submitted for FY 2000 and beyond.

International Collaboration in Energy R&D -- Ups and Downs

My meeting this week with the Director-General of the European Laboratory for Particle Physics (CERN) confirmed that our international collaboration on the Large Hadron Collider (LHC) is proceeding smoothly. The agreement to join in the construction of a major scientific facility

outside of our borders -- five years in the making and involving significant consultation with Congress -- was a major milestone for the United States. Unfortunately, we are not having an easy time securing Congressional support for our continued participation in the International Thermonuclear Experimental Reactor (ITER) agreement, which establishes an important mechanism for enabling international cooperation on planning and priority setting for fusion R&D. DOE's consultations with Congress on continued funding have been cantankerous and will continue through the budget season. OSTP and DOE believe our participation in the ITER agreement is consistent with the G-8 leaders' statement at the Birmingham Summit acknowledging successful cooperation on the pilot project and endorsing continued international cooperation for civilian nuclear fusion development. Your Committee of Advisors on Science and Technology (PCAST) has recommended continued engagement in the ITER process and urged that it is vital to continue without delay the international pursuit of fusion energy as an important element in our strategy for the future.

OSTP Keynotes Annual Meeting of the Ecological Society of America

On August 4, OSTP Associate Director Rosina Bierbaum gave the keynote address to several thousand scientists at the annual meeting of the Ecological Society of America, in Baltimore, Maryland. She described the Administration's commitment to ecological research and our ecosystem management and environmental monitoring initiatives. She highlighted the importance of climate change as a threat to U.S. ecosystems and emphasized the importance of increased efforts to understand regional consequences of change. She also called on the ecological science community to increase its involvement in policy relevant research to support environmental decision making. The speech was covered in trade and mainstream journals (*Philadelphia Inquirer* article attached).

Climate changes bear watching, adviser says

They could be behind floods and other disasters, the Clinton aide told the Ecological Society of America.

By Paul Nussbaum
INQUIRER STAFF WRITER

BALTIMORE — Catastrophic effects of global climate change may soon overshadow familiar environmental hazards and deserve much more attention from scientists and the public, President Clinton's senior environmental science adviser said yesterday.

Increased flooding, more droughts and wildfires, and invasions of exotic pests could result from climate-transforming temperature increases, Rosina Bierbaum told scientists gathered here for the annual meeting of the Ecological Society of America.

Bierbaum, associate director for environment at the White House Office of Science and Technology Policy, warned that such severe effects "could be real showstoppers."

Many scientists, including Bierbaum, fear that increases in so-called greenhouse gases will push global temperatures to record levels and transform the world's climate — melting polar ice, raising ocean levels and creating extreme weather variations. The White House science office projects that global average temperatures will rise two to six degrees Fahrenheit over the next century, with the greater change predicted at the more northern latitudes.

"Ecological research must focus not just on slow, gradual change, but also evaluate extremes," Bierbaum said. "Often these are what cause socioeconomic pain — droughts, floods, storm surges, pest outbreaks."

"I do worry that some of the catastrophic effects haven't been looked at carefully enough," she said.

"People ought to explore those really big surprises. We need to do more what-if scenarios."

She cited such potential effects as coastal flooding that could inundate Florida's most populous cities, and an end to the oceanic "conveyor belt" effect that drives currents such as the Gulf Stream and affects everything from weather patterns to marine food chains.

"We must more clearly chart the impact of environmental change, to help the public understand the consequences for things people care about: food, fiber, lifestyles," she told the ecologists.

Bierbaum's view is not universal. Some scientists argue that climate change, to the extent it occurs at all, will be much more benign.

"According to the [United Nations'] International Panel on Climate Change, there is absolutely no increased volatility in global cli-

mate patterns over the past 100 years," said Jerry Taylor, director of natural-resources studies for the CATO Institute, a conservative research organization in Washington. Taylor, in an interview, agreed that global temperatures have increased, but he said most of the increase has occurred in winter months, at night, in northern climes. That, he said, "doesn't neces-

sarily mean flood, droughts and fires in Florida."

Bierbaum also repeated a theme increasingly heard in environmental-science circles — that scientists need to move out of the laboratory and into the public debate over environmental policy and politics.

"The time of scientists remaining in their ivory towers is gone," she said. "For better or worse, our science is being used — or misused — in policymaking every day. Policymakers are quite able to deal with uncertainty to make decisions . . .

We have to help them make the best guess."

Interior Secretary Bruce Babbitt, who also addressed the 3,000 ecologists yesterday, echoed that: "Scientists are a lot more convincing to the public than elected officials. Scientists are most effective when they worry about the line between scientific facts and outright advocacy, but I think scientists have been a bit too conservative in their view of where this line is. It would be helpful for them to be more outspoken on issues."



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

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THE PRESIDENT HAS SEEN

8-10-98

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August 7, 1998

MEMORANDUM FOR THE PRESIDENT

CC: ERSKINE B. BOWLES

FROM: KATHLEEN A. MCGINTY *WPM for KAM*

SUBJECT: CEQ WEEKLY REPORT

RESOURCE STEWARDSHIP

Baca Ranch

[Handwritten initials] Following your discussion with Senator Domenici regarding acquisition of the Baca Ranch, we worked most of last week with the Senator and were able to reach an agreement on general principles for legislation that could be supported by the Administration and Senators Domenici and Bingaman. The Senator agreed to wait to introduce his bill and to work with us to try to produce a mutually acceptable version. Senator Domenici also agreed to work with the Administration to release our requested funding for Baca Ranch acquisition, now pending with the Congress as part of our FY 1998 Land and Water Conservation funding and FY 1999 budget request.

We will be working on this legislation during the August recess with the goal of having a joint bill ready for introduction when the Senate returns in September that could be enacted before the end of this Congress. The issues presented by Senator Domenici's proposed legislation are complex and technical and will require considerable effort on all sides to reach agreement and to ensure appropriate management of the Baca Ranch and other federal properties. Nevertheless, there is a good faith effort being made on all sides, and we are optimistic that this can be done in the time frames necessary. If so, this will be a special bipartisan achievement to protect a magnificent natural area.

Clean Water

[Handwritten checkmark] Yesterday, Erskine Bowles announced \$365,000 in new federal resources to help the state of North Carolina respond to a major fish kill on the Neuse River. A pending agreement with the state also will provide up to \$221 million over 10 - 15 years to help farmers develop long-term strategies to reduce water pollution that may contribute to such mass dieoffs.

Outbreaks of pfiesteria and other harmful marine organisms are likely this summer along portions of U.S. coasts. EPA Administrator Browner and James Baker, Administrator of the National

Oceanic and Atmospheric Administration, described the Administration's coordinated strategy for anticipating and responding to such outbreaks and called on Congress to assist those efforts by fully funding the Clean Water Action Plan.

National Petroleum Reserve Alaska

Yesterday, Secretary Babbitt announced the preliminary results of the Department of Interior's 18-month planning process for a portion of the National Petroleum Reserve Alaska, which recommended opening up portions of the Reserve to potential oil development. This is a 23-million acre tract of land on Alaska's North Slope lying to the west of the Arctic National Wildlife Refuge and the Prudhoe Bay oil fields.

The Department's decision opens certain areas to leasing and protects others as wildlife habitat. It was criticized by both the oil industry for putting some of the most potentially productive areas off limits, and the environmental community for opening up of the Reserve at all.

The Department started the planning process at the request of Governor Knowles and will follow it with a public comment period. The planning process was handled primarily by scientific experts from the Bureau of Land Management and elsewhere, and the review included extensive consideration of the geology, biology, and native subsistence use aspects of the property. It resulted in a recommendation to open to potential leasing over 80% of the portion of the Reserve reviewed. It also would put 600,000 acres completely off limits for oil development to protect goose molting area and would include a variety of other restrictions on surface activity to protect caribou herds, raptor nesting sites, and subsistence hunting and fishing.

THE WHITE HOUSE

WASHINGTON

August 7, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC WEEKLY REPORT

cc: ERSKINE BOWLES

Japanese Prime Minister Obuchi's Inaugural Speech: There were no major surprises in Prime Minister Obuchi's first major address. He set forth plans for sustained, and somewhat increased fiscal stimulus (more than 6 trillion yen in tax cuts and 10 trillion yen in spending). As expected, he put Japan's Gramm-Rudman law on ice. However, market reaction was muted. Obuchi offered no more details on plans to deal with Japan's financial sector problems and made no commitment to accelerate the implementation of fiscal measures. We will use Secretary Albright's meeting with Foreign Minister Komura later this month, Secretary Rubin's meeting with Finance Minister Miyazawa on the West Coast in early September and your meeting on the margins of UNGA to press for quick implementation and greater clarity in Japan's fiscal and financial action plans.

Japan Insurance: We held a NEC principals meeting, following a review of the Japanese insurance industry initiated at the insistence of Reps. Callahan, Kingston, Collins, Bishop and Forbes on behalf of U.S. insurance providers AFLAC and AIG. The principals agreed that USTR's July 1 decision -- that current evidence does not indicate that Japan is in violation of our bilateral insurance agreement -- was correct. However, the principals also agreed that continued monitoring was necessary to ensure that American firms have a fair chance to compete in the Japanese market -- as agreed to in the bilateral insurance agreement.

Super 301: The NEC Deputies agreed we should renew the Executive Order for the Super 301 trade mechanism, which mandates an annual identification of priority unfair trade practices and initiation of a time-limited resolution process under threat of trade sanctions. The current Super 301 Executive Order expired this year. In most cases, the threat of Super 301 designation has produced progress in trade negotiations without proceeding to the formal designation; for example, the Korean auto dispute in 1997. With a rising trade deficit, there is strong Congressional and industry support for renewal and enforcement of our trade laws. The next step is to decide whether to make the renewal permanent or time-limited and to identify an opportunity for rolling out the announcement. An ideal time may be upon resolution of one of our major outstanding trade disputes.

Mexican Intellectual Property Violations: American industry continues to voice concerns over rampant intellectual property piracy in Mexico. USTR had sought to get action by placing Mexico on a priority warning list under our trade laws, but has agreed to hold off to see whether Mexico takes decisive steps over the next month. The principals are concerned about sensitivities among Mexican enforcement authorities who are also responsible for counter-narcotics efforts. Therefore, it was decided that members of the Administration would attempt to engage their Mexican counterparts at the highest levels to emphasize the importance we assign to intellectual property enforcement and to urge Mexico to fulfill its commitments. If Mexico fails to act, principals will reconvene to consider a more aggressive approach.

APEC: The NEC Deputies reviewed plans for this year's APEC meeting in Malaysia. Russia, Peru and Vietnam will attend for the first time. The financial crisis will form the backdrop again this year, with Mahathir's chairmanship heightening the need for developing consensus on this issue in advance through the ad hoc deputy finance ministers process created last year. On financial market issues, the main focus will be on financial and corporate restructuring and social safety net efforts. On trade, Japan is mounting fierce opposition to liberalizing its politically sensitive fishing and forestry industries, which could undermine the broad consensus we have achieved on finalizing liberalization in the nine sectors agreed by leaders last year; you will need to raise this with Prime Minister Obuchi in New York. Finally, we will try to capitalize on the shift in attitudes on bribery and corruption seen in many APEC economies in the wake of the financial crisis to propose a new initiative focusing on governance and anti-corruption efforts.

H-1B Visas: The House Republican leadership dropped their plans to bring legislation to increase the number of temporary (H-1B) visas for highly skilled foreign workers to the floor last week in response to dissent within their ranks and our threat to veto the legislation. Meanwhile, Cecilia Rouse, on my staff, and Peter Jacoby, of White House Legislative Affairs, met several times last week with Senator Abraham's staff in order to reach an agreement that would include significant additional funding for training and strong protections for U.S. workers. Although the discussions have been suspended for the duration of the August recess, significant progress has been made and we are cautiously optimistic that we can reach an agreement.

School Modernization Day: Working with all of the White House offices and the Department of Education, we are getting out the word about your September 8th event. The Conference of Mayors included an announcement in their newsletter and expect a lot of interest; at an organizing meeting yesterday the AFT indicated they had already ginned up interest in a number of cities, helping to put more pressure on other groups to deliver. Bob Shireman on my staff briefed the House (8/4) and Senate (7/30) Democratic staffs and Agency Chiefs of Staff (8/4). There is still a lot of work to be done to get the kind of grassroots activity that will help lift the issue, but we are off to a good start.

Higher Education Act Reauthorization: As you know, we struck a deal on Wednesday in which Chairman Goodling agreed to leave the National Board for Professional Teaching Standards alone this year, while we would accept the bottom line of CBO's scoring of the bill (there had been a \$1.5 billion difference that posed a problem for the conference). In my view, this was a obscure scoring dispute that we would have to give in on anyway. At the same time, Secretary Riley has now received three letters from Congress asking questions about Direct Consolidation Loans and Education's administrative spending. We think this is in preparation for a fight over the interest rate reduction that we provided to current borrowers. On other issues within the bill, NEC and DPC staff met with community college presidents to discuss the welfare provisions and other areas of concern.

America Reads: We are making progress in the effort to produce a bicameral, bipartisan bill. The House and Senate staff met Wednesday, and Sen. Kennedy's staff briefed Education and my staff today. (Sen. Kennedy is living up to his commitment to really work to make this happen; his staff has been leading the effort on the Hill). I am cautiously optimistic that an agreement can be reached; however, extraneous issues could still threaten the bill's progress in September.

Child Labor: The NEC and NSC hosted an interagency meeting on Friday (8/7) to further refine the Administration's response to Representative Chris Smith's bill that would impose sanctions on countries for inadequate laws or enforcement of child labor prohibitions. We must be sure to be consistent with the approach we took on the Religious Freedom Persecution Act and our approach to sanctions policy in general. However, the group is also working to develop a coordinated action plan on Child Labor and to develop concrete proposals to help the Administration retake the offensive on this important issue.

Biomaterials Signing: As you know, when you vetoed the 1996 product liability bill, you said that you supported protection for biomaterials suppliers. Following your signing this week of the Workforce Investment Act and the Credit Union Membership Access Act, next week you will sign the Biomaterials Access Assurance Act of 1998. You deserve credit for what the bill includes (the continued availability of raw materials for life-saving and life-enhancing implanted medical devices) and for what the bill does not include (prevent a patient injured from a bodily implant from getting the full amount of any recovery she was due in a case where the biomaterials supplier's negligence or intentional behavior was a cause of their harm). This bill is consist with your position on product liability reform: when a clear and compelling case is made for limits on liability and the protection is narrowly crafted to meet that objective, you have supported the bill; when the bill did not meet those tests, you have not wavered in your opposition.

8-10-98

THE WHITE HOUSE
WASHINGTON

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August 7, 1998

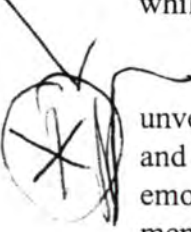
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MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

1. Health Care -- Patients' Bill of Rights Event: You are scheduled to go to Kentucky on Monday to participate in an event on patients' bill of rights legislation. In line with your pledge to the Democratic caucus last week, you will highlight the many shortcomings of the Republican bills and show how they differ from the Kennedy-Dingell-Ganske alternative. The President of the Kentucky Medical Association, a lifelong Republican, is currently scheduled to give a speech at this event, expressing the AMA's disappointment with the Republican proposals. Other major provider and consumer organizations will repeat the same message and praise your leadership on this issue. In addition, you will announce at this event that the Federal Employees Health Benefits Program is now ready to implement an anti-gag rule -- thus taking still another step in our continuing effort to bring all federal health programs into compliance with the patients' bill of rights, even while Congress delays in passing legislation.



2. Health Care -- Elder Abuse: We are working on an initiative that you could unveil as early as Thursday to respond to continuing reports of elder abuse. By that time, HHS and NIH should be ready to release reports documenting the physical, psychological, emotional, and financial abuse which older Americans suffer, often at the hands of family members. As part of the initiative, you would (1) announce the creation of a new center on elder abuse; (2) release new Justice Department grants to help identify and prevent elder abuse; and (3) call on Congress to reauthorize the Older Americans Act, which includes services to help elders at risk for abuse. We also will work with aging advocates and others to help highlight some of the best practices in the states to crack down on elder abuse. This initiative complements your recent efforts to ensure that patients in nursing homes receive high quality services, and we will try to draw that connection.

3. Health Care -- Home Care Reimbursement: Home care providers are pressing Congress to modify a Medicare reimbursement policy passed as part of last year's Balanced Budget Act. In that Act, Congress established a phased-in prospective payment system, similar to the system that has constrained hospital payments, to curb the dramatic increase in home health expenditures (from \$4.7 billion in 1990 to \$17.2 billion in 1997). Now home care providers are claiming that the new policy reduces rates too much, penalizes efficient providers, and disproportionately harms some providers who serve very ill patients. A number

of the providers' complaints appear to have some validity, but there is little HCFA can do about them without new legislation. Congress would like to respond, but so far has failed to devise a viable alternative. Budget-neutral changes in the reimbursement policy cannot attract sufficient support because they inevitably would hurt as many home care providers as they would help. But non-budget-neutral revisions also have significant problems, because they would require new and almost certainly unpopular Medicare offsets. In response to this difficulty, Congressman Thomas and other members of the Ways and Means Committee have begun to allege that the Administration bears primary responsibility for solving the problem. We expect pressure to grow even stronger over the next month or so for the Administration to identify new Medicare savings and provide cover for using them for this purpose.

4. Education -- National Board for Professional Teaching Standards:

Congressman Goodling agreed to drop the provision in the Higher Education Act to prohibit funding for the National Board for Professional Teaching Standards in exchange for OMB's promise to accept the CBO's scoring of the student loan program. Goodling also agreed not to attack the Board in any other legislation that Congress will vote on this year. While this deal protects the Board for the time being, we expect Goodling to pursue his vendetta against the Board in next year's reauthorization of the Elementary and Secondary Education Act. Our efforts over the last few weeks have demonstrated that although the Board enjoys broad bipartisan support in the Senate, it has no real following in the House; in addition, our efforts have shown that even champions of the Board have questions about certain aspects of its work -- particularly about the very high cost of certification. We will continue to work closely with Governor Hunt and others on a strategy to shore up support for the Board among members of Congress, including by urging the Board to make needed reforms.

5. Education -- Bilingual Education: The House Republican Leadership scheduled Congressman Riggs's bilingual education bill for a floor vote on Thursday, but pulled the bill at the very last minute. Democratic opposition to the bill was strong, and a few Republicans from New Mexico, Texas, and Florida also might have voted against it. It is unclear whether the Leadership will schedule new time for the bill in September.

6. Community Empowerment -- Empowerment Zones: A bipartisan coalition of Senators including Senators Jeffords, Leahy, and Warner last week introduced legislation that would provide grant funding for the second round of Empowerment Zones (EZs). This bill, the result of months-long negotiations between Administration and Senate staff, not only would provide flexible grants to the second-round EZs (as the Administration's earlier proposal did), but also would provide: (1) funds for a new demonstration program called Rural Opportunity Communities (ROCs) to spur economic development in communities that cannot qualify for the EZ/EC program; (2) a new pool of money for high-performing EZs and ECs that have exhausted their existing resources; and (3) a preference for high-performing first-round ECs that are applying for a second round EZ. In the next weeks, DPC, OVP, and NEC will continue to work closely with HUD and USDA in procuring additional cosponsors for this

legislation, and will work to secure its passage as part of any revenue-related legislation coming out of the Senate Finance Committee.

7. Crime -- Concealed Weapons Legislation: The House Judiciary Committee approved legislation last week to expand the right of certain persons to carry concealed weapons across interstate lines. As originally introduced -- upon the request of the Fraternal Order of Police -- this bill would have allowed current and former law enforcement officers to carry concealed firearms across state lines. As amended in the Judiciary Committee -- with strong support from the NRA -- the bill also would allow private citizens with permits to carry concealed weapons in their home states to do the same in any other states that permit concealed weapons.

Currently, 29 states must issue concealed-weapons permits upon request to all persons not prohibited from owning a firearm (generally, convicted felons); 13 states may issue concealed-weapons permits, but retain some discretion in approving and denying applicants; one state -- Vermont -- does not even require a permit to carry a concealed weapon; and only seven states flatly prohibit the carrying of a concealed weapon. Thus, the practical effect of the legislation passed last week is to allow millions of gun owners to carry concealed and loaded weapons on an interstate basis in 43 of the 50 states. We are considering making this legislation a central piece of the gun event you will do in California next week (which also will focus on Brady), but first must consult with Grey Davis and others.

8. Crime -- Law Enforcement: The House Crime Subcommittee is scheduled to mark up legislation next week to provide college scholarships to the children and spouses of local law enforcement officers killed in the line of duty. You called on Congress last year to pass this legislation, after signing a bill in 1996 to provide such scholarships to the dependents of slain federal officers. Similar legislation passed the full Senate in May.

9. Gay and Lesbian Issues -- Sexual Orientation Executive Order: The House last week voted down an amendment, sponsored by Congressman Hefley, to prohibit funding to implement your executive order of May 28 banning discrimination based on sexual orientation in the federal civilian workforce. The vote was 252 to 176, with 63 Republicans rejecting the Hefley measure. A recent Wall Street Journal/NBC News Poll showed that 72 percent supported the order, while only 20 percent opposed it.

10. Children and Families -- After-School Programs and Service: You recently asked us to look into a proposal from a White House Fellow to earmark 15 percent of proposed funding for the 21st Century Community Learning Centers program for after-school programs run through the Corporation for National Service (CNS). Strengthening the connection between service and after-school activities is important, and service is in fact already a significant part of the current 21st Century program. But specific earmarking from an Education Department program to the CNS might be disadvantageous for both programs for the following reasons: (1) funds from the Education Department come with

many more restrictions on their use than CNS dollars; (2) additional earmarking would drain the 21st Century program of needed resources (the Administration's budget proposal already targets 10 percent of program funding to community-based organizations, and the House Appropriators cut our budget request from \$200 million to \$60 million); and (3) this kind of earmarking would lessen our ability to promote greater utility of public school buildings during after-school hours. We will, however, continue to explore ways in which we can provide greater support and funding both to traditional after-school learning programs and specific service-oriented programs.

E.C.

cc Kahlke
B. Babbitt

SPECIAL ANALYSIS

Conserving Species without Breaking the Bank

The Endangered Species Act prohibits actions that may lead to the extinction of species and requires the government to implement recovery plans that will restore healthy populations. However, protecting all species is currently beyond the means of both public and private conservation agencies. What is the best way to use limited resources to achieve conservation benefits?

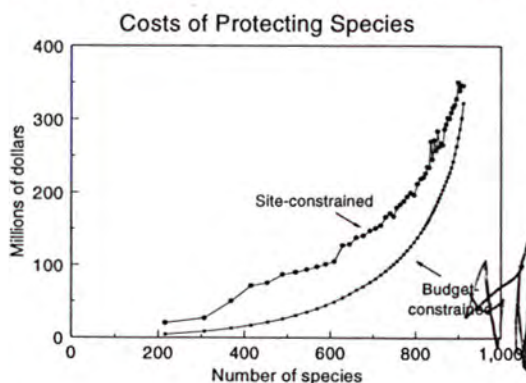
Selecting priority areas. A recent study by conservation biologists indicates that the vast majority of domestic species on the endangered species list can be protected by targeting a small number of high-priority areas. This study implicitly assumes that the cost of setting aside land for conservation is the same in all areas. The priority areas that were selected, however, include some of the most expensive land in the United States (including Hawaii and much of coastal California). The same number of species could be protected at lower cost by taking land costs into account.

A cost-effective conservation strategy. A recent economic study illustrates this point. It treats a listed endangered species as protected if it occurs in at least one county where a biological reserve site is established. For simplicity, reserve sites in all counties are assumed to be the same size. Using data on the occurrence of listed species and the per acre land value by county, the study assesses the number of species protected and the total cost of choosing different sites for biological reserves under two different protection strategies:

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- site-constrained, where the objective is to choose sites that cover the maximum number of species, given that a fixed number of sites will be chosen.
- budget-constrained, where the objective is to choose sites that cover the maximum number of species given a fixed budget.

Findings. The chart shows that the budget-constrained strategy protects listed species at far lower cost than the site-constrained strategy. (Costs are illustrative and



assume 1,000 acres are set aside for each protected site.) For example, the costs of covering approximately half of the listed species under the budget-constrained approach are about a third those under the site-constrained approach. By choosing sites that are one-sixth as expensive, on average, the budget-constrained approach has twice as many reserve sites, protects as many species, and still costs far less than the site-constrained approach. The

chart also illustrates how the total costs of species protection rise slowly at first under the cost-effective strategy, but eventually rise very sharply.

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CBO Assesses Impact of Generic Drugs. Between 1984 and 1996, the proportion of prescription drugs sold in the United States accounted for by generic drugs rose from 19 to 43 percent, according to a recent study by the Congressional Budget Office. Switching to generics saved consumers \$8 to \$10 billion at pharmacies in 1994. CBO found three main causes for the growth in generic sales. First, the 1984 Hatch-Waxman Act made it easier and less costly for manufacturers to market generic drugs. Second, drug-substitution laws have allowed pharmacists to dispense a generic drug when a brand-name drug is prescribed. Third, government and private health plans have substituted generic for brand-name drugs. The Hatch-Waxman Act also contained patent-extension provisions to address the issue of incentives to develop new brand-name drugs, which could be eroded by increased generic entry. The CBO study concludes that since 1984, the expected returns from marketing a new drug have declined by about 12 percent, or \$27 million in 1990 dollars. Although probably not enough to make drug development unprofitable on average, this decline may have made some specific projects unprofitable. Although some pharmaceutical industry representatives have called for further patent-term extensions, CBO concludes that policies to speed up the FDA drug approval process without sacrificing the safety and efficacy of drugs would be much more beneficial to both the pharmaceutical industry and consumers, because that would bring new drugs to market sooner rather than delay the introduction of a generic.

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Infants' Health Is Now Less Dependent on Family Income. The intergenerational transmission of health inequality has been reduced over the twentieth century, according to a new study. The relationship between a newborn's weight and its parents' income has weakened, as has the relationship between a mother's height, which is dependent on her own nutritional status during her growing years, and her newborn's weight. Although birth weights at the turn of the century were quite similar to today's birth weights, turn-of-the-century infants quickly lost ground relative to today's infants, as their risk of death in the first 10 days of life was much higher. The author attributes the change to improved obstetrical and medical knowledge, particularly in infant nutrition.

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

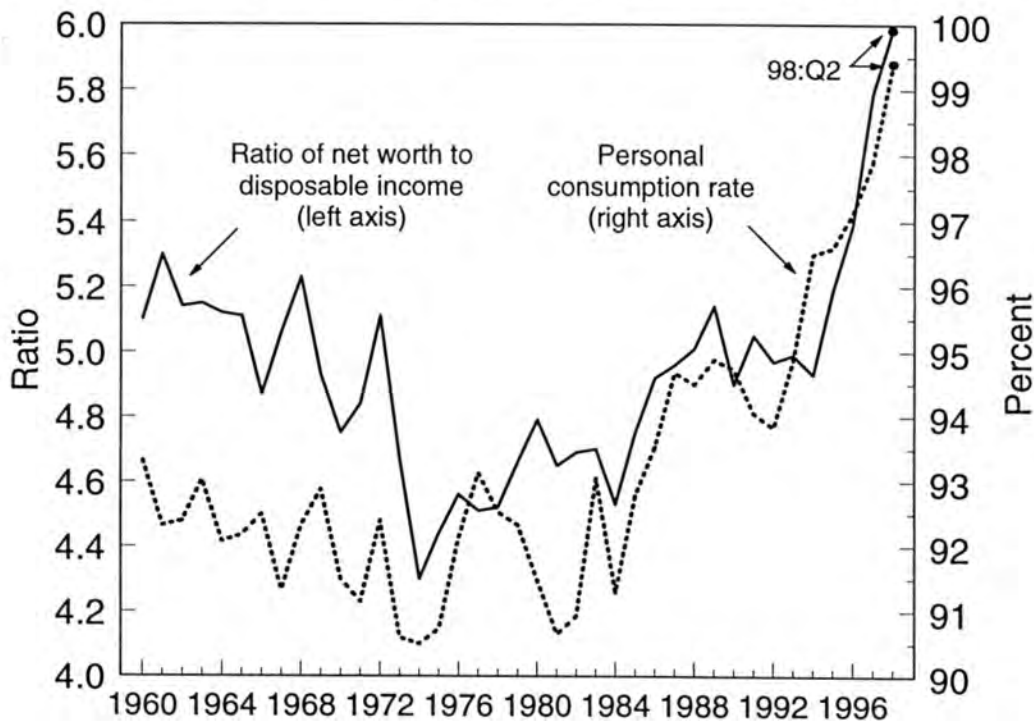
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

August 7, 1998

*Copied
entire report:
Yellen/COS
page 2:
McGinty/Babbitt/
COS
page 6:
VP/Reed/COS*

CHART OF THE WEEK

Household Net Worth and the Personal Consumption Rate



The rise in the stock market over the past few years has increased household net worth and boosted the ratio of net worth to disposable income. This increase in wealth has reduced the need to save out of current income. As a result the proportion of income going to consumption has risen (and the personal saving rate has fallen).

CONTENTS

CURRENT DEVELOPMENT

GDP Revisions Show More Growth, Less Personal Saving	1
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SPECIAL ANALYSES

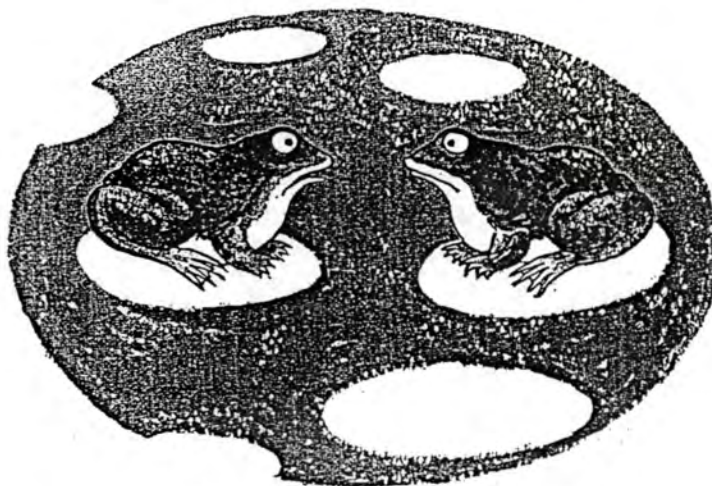
Conserving Species without Breaking the Bank	2
College Quality and Earnings	3

ARTICLE

More Work for Mom	4
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DEPARTMENTS

Business, Consumer, and Regional Roundup	6
International Roundup	7
Releases	8
U.S. Economic Statistics	9
Financial and International Statistics	10

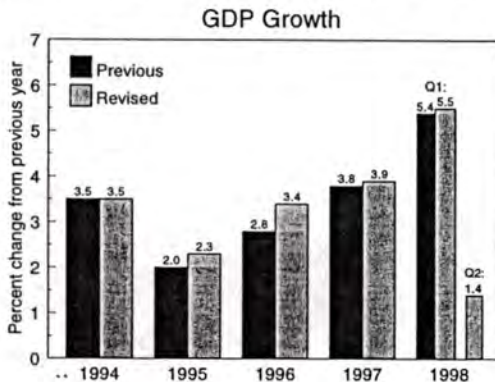


"So they hold this conference to figure out why we're becoming extinct, and guess what they have for dinner."

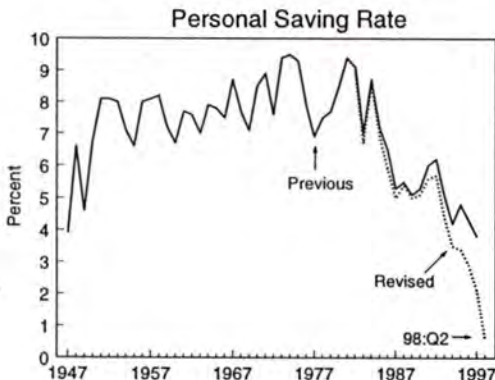
CURRENT DEVELOPMENT

GDP Revisions Show More Growth, Less Personal Saving

The latest annual revisions to the National Income and Product Accounts show that the economy grew faster than previously estimated over the past several years. The growth rate of real GDP was raised for each of the past 3 years (see upper chart); since 1993, real GDP has grown at a 3.4 percent annual rate—up 0.3 percentage point from the previous estimate.

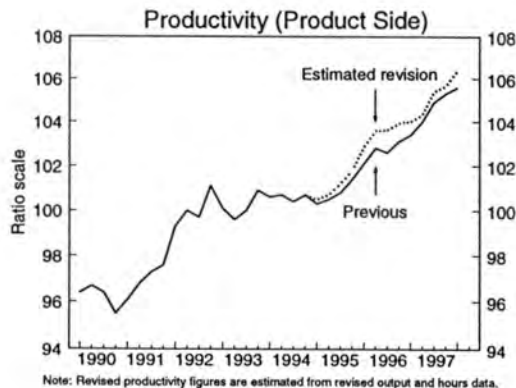


Lower prices. About three-fourths of the upward revision to real GDP resulted from price revisions. The experimental geometric indexes scheduled to be incorporated into the consumer price index next January were used to deflate most parts of nominal personal consumption back to 1995.



A smaller statistical discrepancy.

About one-fourth of the upward revision to output resulted from the use of more complete source data, which raised nominal GDP by \$31 billion in 1997. Gross domestic income, by contrast, was little changed, and the statistical discrepancy between income and spending was trimmed by \$30 billion.



Saving reallocated.

Capital gains distributions by mutual funds, which had been erroneously included in personal dividend income, were shifted to undistributed corporate profits. This reduced personal saving by \$60 billion in 1997 but increased business saving by the same amount—with no net effect on national saving. Meanwhile the personal saving rate fell to just 0.6 percent in the second quarter (see middle chart).

Higher productivity. Because the upward revision to real output exceeds the upward revision to hours (announced 2 months ago by the Bureau of Labor Statistics), productivity is likely to be revised up (see lower chart). Since the last business-cycle peak, productivity appears to have grown at a 1.3 percent annual rate—0.1 percentage point higher than previously estimated.

cc Kahlil
B. Babbitt

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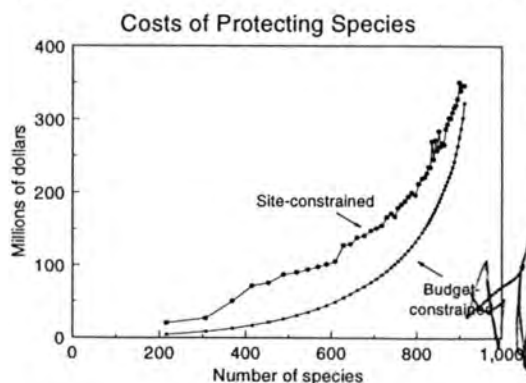
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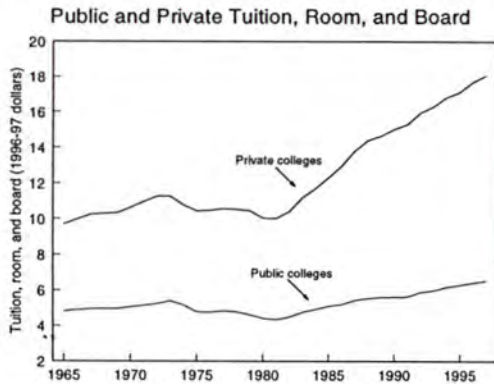
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SPECIAL ANALYSIS

College Quality and Earnings

Increased educational quality (in the form of smaller class size) appears to improve educational outcomes among young children. Two recent studies suggest that quality matters at the other end of the educational spectrum as well: attending a high-quality 4-year college enhances graduates' earnings over and above effects related to students' individual characteristics.



College tuition is high and variable. Tuition (including room and board) varies substantially among 4-year colleges, averaging roughly \$7,300 at public institutions and \$18,000 at private colleges. Many of the elite schools cost \$25,000 or more. College costs have been increasing since 1980, especially among private institutions (see chart).

Quality matters. A new study of 3,100 men finds that attending a higher-quality college leads to greater earnings than attending a lesser-quality institution. The study measured school quality using indicators such as SAT scores of incoming students, share of faculty with Ph.D.s, applicant rejection rate, faculty-to-student ratio, and spending per student. It found that after adjusting for individual characteristics (such as performance on standardized tests, parental education, parental family structure, and various characteristics of the student's high school), men who attended colleges in the top fifth of the quality ranking earned 13 percent higher hourly wages than those who attended colleges in the bottom fifth.

These results were confirmed by a second study, which found that attending elite private colleges increases wages. Moreover, this study found that around age 24, the wage advantage associated with attending an elite private college was lower for students who graduated in the late 1970s (a 9 percent wage advantage relative to attending a bottom-ranked public school) than in the mid- to late 1980s (a 20 percent wage advantage). This finding is consistent with earlier studies showing that disparities in wages have risen over this period among workers with the same years of education, experience, and race.

Implications. The effectiveness of educational spending continues to be debated. Although more spending *per se* may not improve student performance, new studies have demonstrated that smaller class sizes and other quality improvements are associated with better academic performance and future labor market outcomes. In the case of colleges, however, a question remains whether improved school quality raises graduates' wages because it raises their productivity or simply because employers *assume* that graduates with prestigious degrees are worth more.

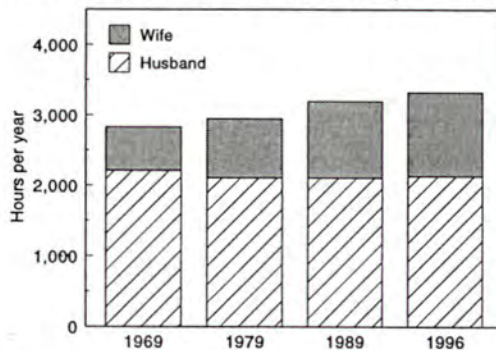
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More Work for Mom

Many American families spend more time working for pay than their counterparts did 30 years ago. All of the increase is due to increased hours among women—wives and single mothers.

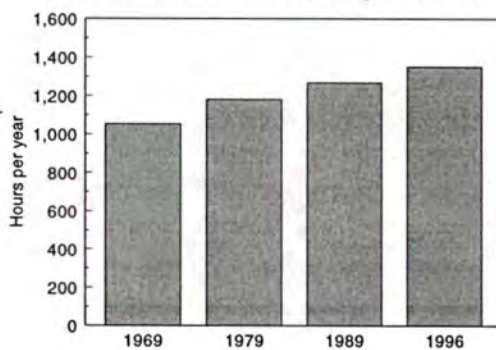
Trends. Average annual hours of work increased for both married-couple and single-parent families between 1969 and 1996. The increase was 496 hours

Annual Hours of Work, Married-Couple Families



(18 percent) for two-parent families (see upper chart) and 297 hours (28 percent) for single-parent households (see lower chart). In 1996, wives in married-couple families worked almost twice as many hours as their 1969 counterparts, and their increase more than accounted for the rise in hours worked among such couples. (To put these numbers in context, a person working full-time year-round would work about 2,000 hours per year.)

Annual Hours of Work by Single Parents



More weeks or longer weeks? For wives and single parents, the increase in annual work hours reflects both more weeks worked per year (including fewer women not working at all) and more hours of work per week. For husbands, the number of weeks worked has declined slightly, while the usual number of hours worked per week has remained relatively constant.

Where are the effects greatest? Although the basic trends are similar across a wide range of family types, the following two groups experienced especially large effects:

- The highly educated. For married couples with a college-educated husband, average annual hours of work increased 644 hours (23 percent)—more than twice the increase for couples in which the husband had a high school diploma or less. In both cases, the increase came from the wives. For single parents with a college degree, annual hours of work rose by 321 hours (20 percent), compared with 165 hours (16 percent) for single parents with a high school diploma or less.
- Parents of young children. For single parents with a child under age 3, annual hours of work increased by 405 hours (55 percent), compared with 260 hours

(23 percent) for single parents without a young child. For married couples, hours of work increased by 557 hours (21 percent) for families with a child under age 3, compared with 467 hours (16 percent) for families without a young child. This result is not surprising, since mothers of young children worked less than mothers of older children 30 years ago and therefore had more room to increase their hours.

Implications. More work in the market means fewer total hours available for child care, work in the home, and leisure. Changes in family size and structure complicate any assessment of how this change in work hours has affected the amount of time parents have available to spend with each child. On the one hand, a rising share of single-parent families and increased time in the labor market among married-couple families may mean less *total* time available for child care. On the other hand, a reduction in the average number of children per family would tend to increase parental time *per child*. In addition, working parents may spend less time on housework and leisure in order to reclaim time with their children.

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INTERNATIONAL ROUNDUP

New Study Compares Public Pension Systems among the G-5. A recent study concludes that the cost of public programs for the elderly is expected to increase significantly as a share of GDP in every G-5 country except the United Kingdom, as the proportion of the population over 65 continues to grow relative to the population aged 15 to 64. Several factors make the United Kingdom different. Over time, the basic flat rate pension of their two-tier pension system has declined, and workers now have the option of switching out of the earnings-based second tier into private pension programs. In addition, public health care costs in the United Kingdom are expected to increase less than in other G-5 countries, in contrast to the United States, which has the largest projected increase in such costs. As a result of this reduction in public spending on pension and health care programs, the United Kingdom will not face the same financing problems as the other G-5 countries. Despite the impact of privatization on the U.K.'s pension costs, the study notes a number of problems. If large numbers of workers suffer low or negative returns on their investments, for example, democratically elected governments may face pressure to compensate them for their losses.

Do High Asian Saving Rates Reflect Cultural Differences? Economists remain unsure exactly why some countries save so much more than others. Most explanations based on differences in the economic environment (such as social security systems, tax incentives, and land and housing prices) have been largely unsuccessful at explaining the observed variation. As a result, many have suggested that saving differences stem in part from cultural differences rather than strictly economic differences. But a recent study of U.S. immigrants found that although the saving patterns of immigrants differed substantially by country of origin, immigrant saving patterns did not match up with the country-of-origin saving patterns. In particular, immigrants from countries with high national saving rates, such as Japan, Korea, and Taiwan, did not seem to have higher saving rates than the other immigrants in the authors' sample. Of course, immigrants may differ in important ways from those who remain at home.

Southeast Asian Governments Undertake New Measures to Support Recovery. The governments of Malaysia and Thailand have each formulated plans to support their weakening financial systems and promote economic recovery. Malaysia's plan calls for a \$5 billion bond issue for the purposes of bank recapitalization, stabilizing the currency within a band set by a trade-weighted basket of currencies, increasing foreign reserves, reducing dependence on the dollar for trade, and adopting a balanced interest rate policy. The government has also recently announced several fiscal and monetary measures to revive the Malaysian economy, which local analysts expect to contract by 3 percent this year. Such measures include a \$1.25 billion infrastructure fund to revive infrastructure projects that were deferred last year and the reduction of statutory reserve requirements by the Central Bank of Malaysia, from 10 percent to 8 percent. Details of the Thai plan are being withheld pending the outcome of ongoing negotiations with the IMF.

RELEASES THIS WEEK

Employment and Unemployment

****Embargoed until 8:30 a.m., Friday, August 7, 1998****

In July, the unemployment rate was unchanged from June at 4.5 percent. Nonfarm payroll employment rose by 66,000.

Leading Indicators

In June, the composite index of leading indicators decreased 0.2 percent following a decrease of 0.1 percent in May.

NAPM Report on Business

The Purchasing Managers' Index decreased to 49.1 percent in July from 49.6 percent in June.

MAJOR RELEASES NEXT WEEK

Productivity (Tuesday)

Retail Sales (Thursday)

Industrial Production and Capacity Utilization (Friday)

Producer Prices (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
<u>Nonfarm business (NFB) sector:</u>					
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	-0.3	0.0	0.7	N.A.
	1970- 1993	1997	May 1998	June 1998	July 1998
Unemployment Rate (percent)	6.7**	4.9**	4.3	4.5	4.5
Payroll employment (thousands)					
increase per month			328	196	66
increase since Jan. 1993					16322
Inflation (percent per period)					
CPI	5.8	1.7	0.3	0.1	N.A.
PPI-Finished goods	5.0	-1.2	0.2	-0.1	N.A.

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

New or revised data in **boldface**.

Employment and unemployment data **embargoed until 8:30 a.m., Friday, August 7, 1998.**

FINANCIAL STATISTICS

	1996	1997	June 1998	July 1998	Aug. 6, 1998
Dow-Jones Industrial Average	5743	7441	8873	9097	8578
Interest Rates (percent per annum)					
3-month T-bill	5.01	5.06	4.98	4.96	4.90
10-year T-bond	6.44	6.35	5.50	5.46	5.44
Mortgage rate, 30-year fixed	7.80	7.60	7.00	6.95	6.94
Prime rate	8.27	8.44	8.50	8.50	8.50

INTERNATIONAL STATISTICS

Exchange Rates	Current level August 6, 1998	Percent Change from Week ago	Year ago
Deutschemark-Dollar	1.768	-0.5	-5.9
Yen-Dollar	144.6	1.5	21.9
Multilateral \$ (Mar. 1973=100)	101.1	0.2	-0.3

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 (Jul)	1.7 (Jun)
Canada	3.8 (Q1)	8.4 (May)	1.1 (Jun)
Japan	-3.7 (Q1)	4.2 (Apr)	0.1 (Jun)
France	3.4 (Q1)	12.0 (Apr)	1.0 (Jun)
Germany	3.0 (Q1)	^{2/} 7.6 (Apr)	1.2 (Jun)
Italy	2.5 (Q1)	12.4 (Apr)	1.8 (Jun)
United Kingdom	2.6 (Q2)	6.4 (Mar)	3.7 (Jun)

U.S. unemployment data **embargoed until 8:30 a.m., Friday, August 7, 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.