Monday, November 30, 1998

11-30-98

PRESIDENT'S COUNCIL ON YEAR 2000 CONVERSION

CHAIR

Thanks — Re: DOD — strongly urge testing — weapons systems — capability, oversight — with care it's going well. BC

'98 NOV

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Koskinen
Podesta

November 25, 1998

MEMORANDUM TO THE PRESIDENT

FROM: John A. Koskinen JAK

SUBJ: Year 2000 Computer Problem -- Monthly Summary

This memorandum is my first monthly summary of Federal efforts to address the Year 2000 (Y2K) computer problem.

Until now, OMB Director Jack Lew and I have been providing you with quarterly reports pursuant to the Executive Order establishing my office. However, beginning in December, our quarterly reports will become more expansive public documents that will summarize our progress and concerns as well as industry assessments of Y2K progress in key economic sectors. Making this information available to the public will help to decrease the likelihood of panic behavior such as withdrawing funds from investment or bank accounts.

Internal reporting to you on our progress will continue through these monthly memoranda, which will summarize recent activities, new concerns, and upcoming events. This memo covers activities that have taken place since our last quarterly report to you in mid September.

<u>Recent Activities</u>

National Year 2000 Action Week -- Last month, the Council led "National Y2K Action Week" (October 19-23) to encourage small and medium-sized businesses, many of whom have done little thus far to prepare their systems for the Year 2000, to address the problem before it is too late. Commerce Secretary Daley and SBA Administrator Alvarez joined me at an October 15 press conference to launch the Week, which was built around more than 300 Y2K educational events for small and medium-sized business managers held at Commerce and SBA field offices across the country. Materials promoting the Week appeared in the Nation's post offices and the Council ran, in over 250 newspapers, advertisements listing the names of more than 160 national trade associations committed to encouraging their members to meet the Year 2000 challenge. I appeared on "Nightline" that week to discuss the Council's concerns about Y2K preparedness among smaller organizations.

Year 2000 Information and Readiness Disclosure Act -- On October 19, you signed the "Year 2000 Information and Readiness Disclosure Act," which is designed to increase the sharing of technical information on solutions to the Y2K problem. We have already received indications that organizations are now sharing information under the new liability and anti-trust protections afforded by the law. The Department of Health and Human Services reports that several medical device manufacturers who were once reluctant to share information about the Y2K status of their products have begun to do so since the law was enacted. To further encourage information sharing, the Council is making available guidelines for the development of Y2K databases that will help organizations exchange technical information via the Internet.

State Chief Information Officers Annual Convention -- I attended a series of meetings with the 50 State Chief Information Officers (CIOs) in San Diego on October 18-19. We discussed progress on our joint program to ensure that State systems that administer important Federal programs such as unemployment insurance, Medicaid and Food Stamps make a successful transition to the Year 2000. Most States are making good progress. However, I advised the CIOs that we will name, in the December OMB quarterly report, the handful of States that are behind in their work on this program as a way of encouraging greater attention to the problem. I also continued to urge the States to reach out to county and city governments, where there is great risk for Year 2000 failures.

<u>New Concerns</u>

International Nuclear Power Plants -- We are increasingly concerned about the readiness of international nuclear power plants for the Year 2000. In the United States, the nuclear power industry is heavily regulated and, at this point, we are confident that the Y2K problem does not pose a threat to either domestic operations or safety. International regulation, however, is much more lax. The most difficult situation is in the Newly Independent States and Russia, where more than 50 Russian-made plants are a major source of power. These plants are at great risk of experiencing operational disruptions and safety issues due to Y2K failures. The State Department is heading a working group on this matter that includes the Energy Department, the Nuclear Regulatory Commission, the National Security Council and the intelligence community. The United States has provided a full-time expert to the International Atomic Energy Agency, which will need to respond promptly and creatively to this challenge.

Airport Systems -- Thanks to the hard work of FAA employees and strong leadership throughout the Transportation Department, it is now clear that the Federal air traffic system will be ready for the Year 2000. Airlines also appear to be in good shape. We are increasingly concerned, however, about the lack of preparedness among some of the Nation's airports, which are operated by local governments who themselves are doing little to address the problem. Failures of systems that control everything from runway lights to gate assignments and baggage operations could have a serious impact on the transport of people and goods and may result in Federal action to close some airports. We organized a meeting recently with the FAA and associations representing airlines and airport operators to begin a joint effort to encourage local transportation authorities to take the necessary steps to prepare airport systems for the new millennium.

Upcoming

OMB Quarterly Report on Federal Agency Progress -- The next OMB quarterly report is scheduled for release in early December. Preliminary data indicates that, as of November 15, 61 percent of Federal mission-critical systems were Year 2000 compliant -- up from 50 percent in August. It also appears that most agencies are on track to meet our goal of completing all remediation, testing and implementation work by March 31, 1999. However, a few agencies, including the Defense Department and HHS, continue to face significant challenges and will have some mission-critical systems that will not be done until the late spring or early summer.

United Nations Y2K National Coordinators Meeting -- We have helped to arrange for a meeting on December 11 at the United Nations of national Year 2000 coordinators from around the world. I have been working closely with Ambassador Ahmad Kamal of Pakistan, who chairs the UN Informatics Working Group, and a steering committee made up of coordinators from seven other countries. Our goal is to arrive at agreements on regional and international actions in important areas such as finance, telecommunications and transportation. We also hope to encourage coordination of contingency planning and emergency management across national borders.

60 Minutes -- I recently spent a fun-filled hour and a half with "60 Minutes" discussing the status of Federal programs as well as the Council's activities. We expect the program to air sometime in the next few weeks, although CBS has been unable to give us a firm date.

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

THE DIRECTOR

November 25, 1998

11-30-98

'98 NOV 25 PM3:00

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew

SUBJECT: Preliminary FY 2000 Agency Funding Levels

Attached for your information are one-page summaries of OMB's preliminary FY 2000 funding levels that were transmitted to the agencies on Tuesday. As you recall, the 2000 discretionary spending caps represent a virtual freeze of the FY 1999 enacted levels, and total defense and non-defense requests would exceed the caps by almost $80 billion in FY 2000. We worked within the tight FY 2000 funding constraints, and have aggressively taken advantage of offsets to permit higher spending levels. Our objective was to preserve core government activities and provide for targeted increases for your initiatives. The result is a difficult set of recommendations to the agencies which maintains fiscal discipline and preserves your commitment to save the surplus until Social Security is fixed.

OMB will begin discussing agency appeals for additional funding the week of November 30. Some Cabinet officials will no doubt want to discuss their FY 2000 Budget levels with you directly. We plan to discuss the overall budget picture and individual funding issues, as well as options for possible resolution of outstanding issues during economic team meetings scheduled with you on December 7th and 10th.

Attachment

John P
we need analysis
of policy, politics
then recommendation
pose — + what we can
actually do —

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Lew

PASSBACK SUMMARIES

Table of Contents

DEPARTMENT OF AGRICULTURE
(excluding Function 150 programs)
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA/Prog. Level*	13,863	14,611	14,847	14,716	16,186	15,128
Emergency funds	215	220	0	96	0	0
Total, Budgetary Resources:	14,078	14,831	14,847	14,812	16,816	15,128

Passback Decisions

- USDA request was $1.5 billion (+10 percent) over enacted. Passback at guidance assumes re-proposal of full meat and poultry inspection user fees (-$473 million), plus re-proposals of other fees, and discretionary reductions to mandatory research and rural development programs, whose FY 2000 level was doubled (to $360 million) by FY 1999 appropriations action. Reductions to be restored in outyears.

- WIC remains a discretionary program, funded at $4.1 billion in FY 2000. These resources would be sufficient to support the full participation level of 7.5 million participants. Outyear funding levels assume inflation adjustments for the program.

- Rural Development (Administration initiative since FY 94). Loans and grants for housing, community, and economic development total $7.1 billion (+2.5 percent above enacted).

- USDA's share of the Food Safety Initiative funded at $146 million (+27 percent above enacted). Civil rights-related programs funded at $118 million (+49 percent above enacted). High priority research supported: National Research Initiative funded at $200 million (+81 million from enacted), and human nutrition at $90 million (+29 percent from enacted).

- Forest Service core government operating program. Funded at $1.6 billion (+3 percent above enacted), emphasizing "saving the next great places" and "stewardship". Forest Legacy funded at $27 million (+$20 million over enacted) for States to protect non-federal forests and foster "smart growth".

Potential Issues

- Passback assumes major reductions in USDA field office salaries and expenses (-$123 million; -6 percent from enacted), consistent with NPR streamlining goals. This mark will result in an appeal from USDA, based on its resistance to closing/consolidating more county-based offices.

- The Budget will include a mandatory proposal to enhance the farm income safety net. This issue is being addressed through an OMB/NEC process that will recommend a proposal shortly.

DEPARTMENT OF COMMERCE
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
Program Level*	3,617	4,887	5,685	5,817	8,962	7,234
Emergency BA	0	0	0	80	0	0
Total, Budgetary Resources*	3,617	4,887	5,685	5,897	8,962	7,234

Passback Decisions

- The decennial census is funded at $2,304 million -- $117 million over last year's estimate for 2000. This will fund key activities for a census that eliminates the undercount.

- NOAA's environmental programs are funded at $907 million, including a $26 million increase to help protect Northwest salmon and a $33 million increase to support Ocean Conference objectives. Weather and satellite programs are funded at $1.2 billion to support the completion of Weather Service Modernization and the convergence of military and civilian satellite systems.

- The Advanced Technology Program is funded at $238 million in new BA (a 16 percent increase over 1999 enacted funding). New awards will rise 10 percent, to $73 million.

- Critical Infrastructure is funded at $14 million, supporting the Critical Infrastructure Assurance Office and the lead-agency activities for the Information and Communications sector.

Potential Issues

- Passback for the decennial census is $772 million less than DoC's request for $3,076 million. Most elements of the denied request were not well justified. The remaining elements would have only a marginal effect on accuracy at the Congressional district level, though some impact at the level of census tracts.

- The Economic Development Administration (EDA) is funded at $372 million ($20 million below 1999 enacted), including flat funding for core activities, but continuing the planned ramp-down of defense adjustment activities.

- $35 million is provided for a requested $276 million Technology Communities Partnership Initiative intended to bridge the "digital divide" between the rich and poor. While aspects of the initiative may merit funding within base activities of EDA, as a whole it is inadequately developed and duplicates other Federal programs.

- Patent and Trademark Office (PTO) fees will be raised slightly to cover the indirect costs of current employees' post-retirement health and life insurance, estimated at $20 million in 2000. Also recommended is a $20 million rescission from surplus fees. Growth in applications will provide increased fee revenue that will be used to support a $110 million expansion of PTO.

ARMY CORPS OF ENGINEERS
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA/Program Level	3,843	4,087	3,237	3,995	4,758	3,840
Emergency BA	---	105	---	102	---	---
Total, Budgetary Resources	3,843	4,192	3,237	4,097	4,758	3,840

Passback Decisions

- Harbor Services Fund (HSF). Includes the proposal announced by the President at the Oceans Conference (June 1998) to create a new user fee and dedicated fund to pay for harbor services (both construction and operation and maintenance) to ensure the continued competitiveness of our ports and harbors. It would replace the Harbor Maintenance Tax , part of which the Supreme Court has declared unconstitutional, and the Harbor Maintenance Trust Fund. The new HSF proposal would create a new, separate BEA category that allows all the HSF receipts to be appropriated for harbor activities each year, an estimated $945 million in FY 2000. The proposal is deficit-neutral, paid for through the proposed user fees and a reduction in the discretionary spending caps.

- Corps Construction Program. Total Corps construction funding would be $1,192 million, which is a $386 million (48 percent) increase over the very constrained level of funding proposed in the FY 1999 Budget. Of this total, $258 million would be allocated to harbor construction projects, which would allow these projects to proceed on an optimum schedule. Most Administration priority projects (e.g., Everglades restoration) would also receive near-optimum funding. However, all other ongoing projects (about 150 projects) would be constrained, leading to average delays of several years in completing these projects compared to the ideal construction schedule requested by Army.

- New construction starts. Funds 15 new construction starts -- five new harbor projects from the HSF, nine projects considered prudent stewardship of existing infrastructure, and one Administration priority flood control project (Grand Forks, ND/East Grand Forks, MN). This is six more new starts than requested last year, primarily because of the additional funding provided by the HSF proposal.

Potential Issues

- Army will strongly appeal, arguing that total program funding of $3.8 billion would delay and increase costs for most construction projects, increase the backlog of needed operation and maintenance work, and further damage relations with local cost-sharing partners who have come up with their share of funding on the expectation that Federal funds would be forthcoming.

- Even though requested construction funding is nearly 50 percent above last year's Budget, Congress is likely to criticize it as too low (it is $273 million below FY 1999 enacted) and disproportionately allocated to harbor projects and Administration-priority projects, while severely cutting flood control and other ongoing projects. Congress might react to such a proposal by disproportionately cutting Presidential priorities (e.g., Everglades), as it did in FY 1999, to fund its own priority projects.

- Opponents of the HSF proposal will criticize the Budget request for being based on an unrealistic proposal.

ARMY CORPS OF ENGINEERS FY 2000 BUDGET
NEW CONSTRUCTION STARTS
(BA, dollars in millions)

	PROJECT	STATE	PROJECT PURPOSE	B/C RATIO	TOTAL FED COST	THRU FY99	FY00 TOTAL	CONGRESSIONAL INTERESTS
	PROJECTS FUNDED FROM CONSTRUCTION, GENERAL							
1	BLUESTONE LAKE, WV (DAM SAFETY)	WV	DAM SAFET	N/A	107.3	0.0	4.2	Rahall
2	SUCCESS DAM, CA (DAM SAFETY)	CA	DAM SAFET	N/A	30.9	1.1	1.3	Dooley;Thomas;Boxer
3	LOCK AND DAM 24 PART 2, MISSISSIPPI RIVER, IL & MO (MAJOR REHAB)	IL,MO	NAV	1.3	45.9	0.0	2.4	IL-Shimkus; MO-Hulshof
4	LONDON LOCK AND DAM, KANAWHA RIVER, WV (MAJOR REHAB)	WV	NAV	19.3	20.2	0.8	1.7	Wise; Rahall
5	PATOKA LAKE, IN (MAJOR REHAB)	IN	FLOOD	1.5	7.2	0.0	3.6	Hostettler
6	WALTER F. GEORGE POWERHOUSE AND DAM, AL & GA (MAJOR REHAB)	AL, GA	MULTIPURP	3.5	37.0	0.0	1.0	AL-Evertt; GA-Bishop
7	LOCK AND DAM 12, MISSISSIPPI RIVER, IA (MAJOR REHAB)	IA	NAV	4.9	15.5	0.0	2.6	IA-Russell; IL-Manzullo
8	CAPE COD CANAL RAILROAD BRIDGE, MA (MAJOR REHAB)	MA	NAV	4.7	30.5	0.0	6.0	Delahunt
9	JOHN H KERR POWERHOUSE, VA & NC (MAJOR REHAB)	VA, NC	MULTI PURP	1.4	59.6	0.0	1.7	Goode
10	GRAND FORKS, ND - EAST GRAND FORKS, MN	MN	FLOOD	N/A	153.6	5.2	20.0	MN-Peterson; ND-Pomery
	SUBTOTAL				**507.7**	**7.1**	**44.5**	
	PROJECTS FUNDED FROM THE HARBOR SERVICES FUND							
11	PORT FOURCHON, LA	LA	NAV	1.8	2.6	0.4	2.2	Tauzin
12	BALTIMORE HARBOR AND CHANNELS, MD, BREWERTON CHANNEL	MD	NAV	16.0	10.5	1.0	9.6	Gilchrest;Ehrlich;Cardin
13	KIKIAOLA SMALL BOAT HARBOR, KAUAI, HI	HI	NAV	1.2	5.0	1.2	0.1	Mink; Inouye
14	LOWER SAVANNAH RIVER BASIN, GA & SC	GA, SC	NAV	N/A	3.2	0.5	0.2	Kingston; Spense; Cleland
15	SANTA BARBARA HARBOR, CA	CA	NAV	1.1	5.4	0.4	5.0	Capps
	SUBTOAL				**26.6**	**3.5**	**17.0**	
	GRAND TOTAL				**534.3**	**10.6**	**61.4**	

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DEPARTMENT OF DEFENSE - MILITARY (051)
(Discretionary Budget Authority in Billions of Dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY2000 Passback
BA/Program Level	262.6	259.4	258.4	258.7	287.7	266.1
Emergency BA				7.7		
Total, Budgetary Resources				266.4		

Passback Decisions

- **Bosnia.** Provide $2 billion in FY 2000 Budget Authority (BA) outside of planning guidance levels to allow continuation of Bosnia operations for another year.

- **Overguidance Request.** Fund requested increases for military and civilian pay raises, critical readiness and White House Initiatives through various offsets such as lower fuel and inflation rates, efficiencies, and other adjustments.

- **Quadrennial Defense Review (QDR).** DoD should explore the potential for meeting the QDR mission/modernization requirements without meeting the QDR numeric funding targets for procurement (e.g. meet the QDR mission requirements at a procurement level lower than $60 Billion in FY 2001).

Potential Issues

- **Overguidance Request/QDR.** Defense will claim that in order to maintain high levels of readiness and adequately fund required modernization programs, additional funding above current planning guidance levels for FY 2000-2004 is necessary. If such relief is not provided, the QDR's procurement targets will not be met, and DoD will argue that eventually forces must be cut, undermining our national military strategy.

- **Offsets.** To date the Department has agreed to only a few of the most easily acceptable offsets (e.g. lower inflation and fuel costs). Additional consideration must be given to possible weapons procurement cuts, including cuts to highly visible programs such as the F-22 aircraft and the CVX aircraft carrier. DoD asserts that it is unrealistic to fund requested increases through offsets.

- **Bosnia.** The possible creation of a new Budget Enforcement Act (BEA) category as a funding mechanism for Bosnia needs to be addressed. This would create a "firewall" type protection for contingency operations. It could, however, also set a precedent for the creation of a multitude of other firewall categories within the BEA.

- **Retirement.** DoD is seeking to restore retirement benefits to pre-1986 levels ("high-three") which would cost an additional $7.5 billion over FY 2000-04. Our recommended DoD budget option does not include this retirement change. Defense will argue that the symbolic nature of this change is critical to ensuring the support of the military chiefs.

- **Defense Outlays.** DoD may seek additional outlay relief of up to $20 billion over the five-year period to eliminate an imposed outlay shortfall and the migration of funds from slower spending investment programs to faster spending operations programs.

DEPARTMENT OF EDUCATION
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
Program Level*	23,638	29,559	31,155	31,820**	35,673	32,041**
Emergency BA	--	--	--	--	--	--
Total, Budgetary Resources	23,638	29,559	31,155	31,820	35,673	32,041

Passback Decisions

- Offsets of $537 million in mandatory savings (enhanced student loan debt collection through use of the NDNH: $489 million; Vocational Rehabilitation: $48 million) and reductions in lower priority programs -- such as Vocational Education, Impact Aid, and Title VI -- permit funding key programs and initiatives within Planning Guidance. The net new BA requested for FY00 would be $31,154 million. OMB does not plan to inform Education of the use of the mandatory offsets in Passback at this time, pending decisions on overall mandatory offset strategy.

- $1.3 billion for Class Size, but whether as discretionary or mandatory is unresolved.

- $435 million available for the Hispanic Education Agenda, the Race Initiative response, and elementary/secondary education initiatives, pending outcome of NEC/DPC/OMB discussions.

- Work Study funding fulfills the President's commitment to reach 1 million students; GEAR UP/High Hopes, increased by $80 million or 67 percent.

- Education Technology funding continues to make progress toward commitment of $2 billion by 2001, and fully funds the Middle School Teacher Training and Software Development initiatives.

- Funds the National Board for Professional Teaching Standards.

Potential Issues

- Secretary requested $3.75 billion over FY99, excluding Class Size, as the minimum necessary to maintain Administration leadership on education issues. He will reject the Passback as completely inadequate. Passback is well below prior Administration increases, but within constrained budget rules, still provides the increases noted above, and is defensible.

- Advocates for Title I would oppose Passback's level funding because this is the major K-12 program.

- Normally Title I does get an increase, but its absolute level is now $7.7 billion, and marginal new spending under Passback will go for initiatives for race and policies intended to make this large investment more effective (e.g., accountability, teacher quality, no social promotion).

- Disability advocates would oppose the small (+$81 million) increase for Special Education. However, Special Education is now $5.4 billion, and any new funding by law lets LEAs cut their spending. Passback is a small increase and seeks a law change to maintain State spending -- without these changes, LEAs would be able to divert up to $100 million of FY 1999 funds and up to 20 percent of any FY 2000 increase for purposes other than Special Education.

- States and many in Congress support Vocational Education, even though it has little evidence that Federal funds leverage change, and would oppose the $141 million cut, to a level of $890 million. However, despite reform efforts, vocational education is still focused mainly on traditional non-college paths for high school students and needs its resources shifted to higher paying careers and postsecondary education.

- Congress will oppose the cuts in Impact Aid programs (-$233 million, to $631 million), and the elimination of the Education Block Grant (i.e., Title VI), but these are cuts this Administration proposes every year in hopes of obtaining resources for high priority activities.

DEPARTMENT OF ENERGY
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
Budget Authority	19,262	16,710	18,035	17,308	19,370	17,275
Emergency BA	---	---	---	525	---	---
Total Budgetary Resources	19,262	16,710	18,035	17,833	19,370	17,275

Passback Decisions

- Improving Security Against Weapons of Mass Destruction (WMD). Provides $843 million (about equal to FY 1999 enacted level) for plutonium disposition, Russian defense conversion, and related arms control programs. Also, provides increases for DOE antiterrorism and related security programs. Language will be included in the President's budget about a potential multi-agency (including DOE, DOD) Russian WMD security initiative, but without specific resources.

- Science. The FY 2000 level is $57 million above FY99 enacted. This will allow funding for DOE's contribution to the multi-agency Information Technology Initiative and a slight increase in the operational hours of DOE's scientific user facilities. Passback funds construction of the Spallation Neutron Source.

- Environmental Cleanup. Fully funds DOE's contract "privatization" strategy for tank wastes at Hanford, Washington. Over $5.83 billion is provided (same as FY 1999 enacted) to maintain progress towards meeting State and other regulatory compliance agreements.

Potential Issues

- Secretary Richardson seeks $1 billion above enacted. The major increases are: $798 million for environmental management; $316 million for science; $200 million for counter- proliferation activities in Russia; $310 million for fossil energy and nuclear energy R&D and oil purchases for the Strategic Petroleum Reserve; $100-300 million for tritium production for nuclear weapons depending upon his choice of technology expected by the end of December. These increases are not included in the OMB passback.

- DOE may raise an issue about inadequate funding in the outyears for its science programs. In addition, in order to fund higher priorities, the OMB passback for FY 2000 is below DOE's request for the following programs: nuclear energy R&D, counterintelligence, naval reactors development, fossil energy R&D; and nuclear waste disposal. The Secretary may object to these funding levels.

ENVIRONMENTAL PROTECTION AGENCY
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
Superfund	1,589	1,500	2,093	1,500	2,094	1,500
CWSRF	1,928	1,350	1,075	1,350	1,350	800
All Other EPA	3,406	4,511	4,598	4,740	4,716	4,631
Total, Budgetary Resources	6,923	7,361	7,766	7,590	8,160	6,931

Passback Decisions

- Operating program. Provides $3.6 billion (+$135 million, or 4 percent over enacted) for grants, research, regulation and enforcement; fully funds EPA's part of the Climate Change Technology Initiative ($216 million) and the Clean Water Action Plan ($631 million); and provides a $22 million increase for children's environmental health activities.

- Superfund. Provides $1.5 billion (same level as FY 1999 enacted); reaches 900 site Superfund cleanup goal in FY 2002, the same year as EPA request ($2.1 billion).

- State Revolving Funds (SRF). Provides $1,625 million and meets Administration goals for capitalizing the Clean Water SRF (provide $2.0 billion in loans annually after capitalization ends) and the Drinking Water SRF (provide $500 million in loans annually). Funds the Drinking Water SRF at $825 million (+$50 million, or 6 percent over FY 1999 enacted) and funds the Clean Water SRF at $800 million (-$550 million, or -41percent below enacted).

Potential Issues

- EPA Budget Total. The Passback is $659 million below enacted and $835 million below the FY 1999 request, but is consistent with EPA's September with-in guidance request of $6,913 million (amended in late October to $8.2 billion). The environmental community may view such a level as inadequate.

- Superfund. Although at the enacted level, the Passback is $593 million below the FY 1999 request. EPA will appeal because the President's two-year $1.3 billion accelerated cleanup initiative was not enacted and the $650 million FY 2000 advance appropriation creates an expectation of another $2.1 billion request. However, failure to enact increased funding in FY 1999 means that the 900 site cleanup goal cannot be met earlier than FY 2002. Further, the 900 site goal will be achieved in FY 2002 at either the Passback or Agency request levels.

- Clean Water SRF. EPA will strongly appeal the $550 million reduction from enacted ($275 million from the FY 1999 request) in order to avoid criticism of the cut and to prevent Congress from appearing more "green" than the Administration. However, the Passback is consistent with stated Administration goals for adequately capitalizing the Clean Water SRF (i.e. sufficient to make $2 billion in loans annually after capitalization ends) and phasing out Federal assistance.

FEDERAL DRUG CONTROL PROGRAMS
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Ag Request	FY 2000 Passback
BA/ Program Level	12,265	15,903	17,009	16,878	19,343	16,674
Emergency BA				+ 869		
Total, Budgetary Resources	12,265	15,903	17,009	17,747	19,343	16,674

Passback Decisions

- Passback is $204 million below the 1999 enacted base, which excludes $869 million in drug emergency supplemental funding for planes and boats to bolster interdiction. This decrease reflects the completion of the COPS program in 2000 -- from $1,430 million in 1999 to $300 million in 2000.

- Higher funding for core Federal drug law enforcement (e.g., DEA, FBI, Customs, Border Patrol, and Prisons) is partially offset by reductions in DOJ grants to State and local governments, such as Byrne grants (see below) and Local Law Enforcement Block Grants.

- Increases are provided for ONDCP's top two priorities, ONDCP's Youth Media Campaign (+$10 million) and DOJ's Prisoner Drug Treatment and Testing initiative (+$50 million).

Potential Issues

- The Byrne grant program, which provides assistance to police departments, is cut from $552 million in 1999 to $471 million in passback. The savings are devoted to increases for DEA and FBI drug law enforcement.

- ONDCP 's number three priority is the expansion of drug treatment. To increase funding for drug treatment activities, ONDCP recommends that drug-related programs at SAMHSA be increased $285 million, from $1,484 million in FY 1999 to $1,769 million in FY 2000. Passback maintains funding for the largest component of this funding, the Substance Abuse Block Grant. However, total funding for drug treatment at HHS decreases under the passback level (-$67 million) because it reduces several smaller categorical grant programs at HHS.

FEDERAL EMERGENCY MANAGEMENT AGENCY
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA/Prog. Level *	3,509	5,688	1,970	4,135	4,500	2,331
Emerg. BA.	1,735	1,605	2,226	906	0	2,093
Total, Budgetary Resources	5,244	7,293	4,196	5,041	4,500	4,424

Passback Decisions

- Disaster Relief. Provides $307 million in funding for the Disaster Relief Fund within the discretionary caps and requests an additional $2.1 billion in contingent emergency appropriations.

- Floodplain Mapping. A new $15 mortgage transaction fee provides $107 million in FY 2000 to modernize FEMA's inventory of 100,000 flood maps.

- Repetitive Losses. $40 million per year is provided to buyout/elevate 7,300 repetitive loss properties in the National Flood Insurance Program. This initiative is financed by redirecting the use of $20 million in flood mitigation assistance and by raising the annual flood insurance surcharge by $5 (roughly 1 percent of average subsidized premium).

- Pre-Disaster Mitigation. $30 million is provided to fund 50 new disaster resistant communities.

- Salaries & Expenses and Emergency Management, Planning, and Assistance. $391 million is provided for FEMA's operating accounts, including $19 million for terrorism related planning and exercises at the Federal, regional, State, and local level and a phased upgrade of the Mobile Emergency Response System.

Potential Issues

- FEMA seeks $2.5 billion for disaster assistance, all within the caps. However, Congress typically funds most FEMA disaster assistance through supplemental funding. FEMA will object to the use of a contingent emergency request because of expected criticism from Congress that the Administration lacks a "real" budget for disaster assistance.

- FEMA will appeal reductions in proposed mitigation initiatives. FEMA will also object to the $5 increase in the Federal Policy Fee, claiming that the increase will actually reduce the flood insurance policy base and have an adverse effect on the program. FEMA has not provided evidence to back its claim.

GENERAL SERVICES ADMINISTRATION
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
Budget Authority	602	65	114	439	1,196	121
FBF (NOA)*	4,478	5,028	5,158	5,302	5,340	5,310
Total, Budgetary Resources	5,080	5,093	5,272	5,741	6,536	5,431

Passback Decisions

- Property Act Reform. OMB will work with GSA and the affected agencies to develop legislation to reform the Property Act. The principal reform would allow agencies to retain a portion of the proceeds from property that they sell.

- Apportionment Controls on Revolving Funds. OMB will apportion GSA's revolving funds to limit spending on administrative expenses, including personnel costs, to a percentage of revenues, or some other factor.

Potential Issues

- Courthouse Construction. The passback level does not include $713 million requested for 18 courthouse construction projects on the Judiciary's 5-year Courthouse Construction Plan. The courthouse projects requested by GSA and the Judiciary are: Los Angeles, California; Seattle, Washington; Richmond, Virginia; Gulfport, Mississippi; Washington, D.C.; Eugene, Oregon; Buffalo, New York; Springfield, Massachusetts; Miami, Florida; El Paso, Texas; Mobile, Alabama; Norfolk, Virginia; Las Cruces, New Mexico; Salt Lake City, Utah; Rockford, Illinois; Cedar Rapids, Iowa; Nashville, Tennessee; and Erie, Pennsylvania.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA/Program Level*	29,696	36,776	38,678	39,981	44,929	41,056
Emergency BA**	--	160	300	706	300	300
Total, Budgetary Resources	29,696	36,936	38,978	40,687	45,229	41,356

Passback Decisions

- Total health programs are $186 million above FY 1999; $305 million above excluding Y2K costs. Health program cuts total over $400 million, and include: Health Professions Grants, -$105 million, protecting grants for minority and disadvantaged students and nursing training; and Substance Abuse, -$83 million, reducing categorical and demo grants while maintaining funding for the Substance Abuse and Mental Health Block Grants. Health increases include: FDA, +$98 million to meet NPR goal for pre-market approvals, product safety assurance, and expanded injury reporting system; and Indian Health Service, +$175 million for health services, contracted health care, contract support costs, and facilities.

- HCFA. +$250 million for Y2K, BBA, HIPAA, Medicare+ Choice, IT investments, and Nursing Home Quality. To address management problems and improve HCFA's accountability and flexibility, passback will include management reform options ranging from minor changes (e.g. contracting reform) to large-scale reforms (e.g. HCFA oversight board), and linking future funding to performance.

- NIH. +$49 million (+0.3 percent), returning to FY 1999 Budget historic five-year growth path.

- Head Start. + $337 million (+7.2 percent). Adds 21,000 children in FY 2000.

- Other health. HIV/AIDS: +$72 million for Ryan White; maintain FY 1999 level for CDC HIV/AIDS prevention activities. Bioterrorism: -$8 million to return to FY 1999 plan funding. CDC: +$12 million for an infectious disease information technology initiative, polio eradication, state immunization grants, and infectious and environmental disease labs.

- Other ACF. TANF supplemental growth fund: -$84 million--freeze at FY 1999 level, +$2 million for IDAs, +$5 million for transitional living grants. SSBG. +$471 million, offset by capping TANF transfers at 4.25 percent. OMB does not plan to inform HHS of the decision on SSBG or the use of the TANF transfer cap or supplemental growth fund as mandatory offsets in Passback at this time, pending decisions on overall mandatory offset strategy.

- AOA. +$50 million (+5.6 percent) for nutrition assistance and a new initiative to assist low-income families caring for elderly relatives.

Potential Issues

- HHS request included increases over FY 1999 for: FDA (+$532 million), IHS (+$380 million), CDC (+$915 million), HCFA (+$480 million), NIH (+$651 million) and SAMHSA (+$523 million). Request included $38 million for Nursing Home Quality Initiative litigation; passback includes $10 million. HHS is expected to appeal most of these items.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA/Program Level	24,853	22,228	24,656	24,380	32,077	27,800
Emergency BA	671	250		130	0	0
Total, Budgetary Resources	25,524	22,478	24,656	24,510	32,077	27,800
[Subsidy Renewals]*	[7,232]	[8,180]	[10,840]	[10,903]	[13,483]	[13,535]

Passback Decisions

- Elderly Housing. Maintains funding at the 1999 level of $660 million. With recommended policy changes, this amount would aid ten times the number of households helped in 1999 (from 6,600 households in 1999 to 66,000 in 2000).

- Other Incremental Assistance/Welfare-to-Work Vouchers. Funds all outstanding subsidies plus 25,000 incremental Welfare-to-Work Housing Vouchers. Funds additional incremental vouchers through a 'savings account' as administrative savings are achieved.

- CDBG/HOME. Maintains funding at 1999 level for the Community Development Block Grant ($4.750 billion) and funds the HOME block grant at $1.5 billion.

- Homeless Assistance Grants. Funds at $1.020 billion; $975 million in emergency shelter and competitive grants (same as 1999), plus $45 million for a demonstration to test new ways to help the homeless with housing linked to mainstream services.

- Urban Initiative. Funds new initiative to challenge communities to create regional strategies to raise youth employment rates in high-poverty neighborhoods. Reproposes mandatory funds for 15 new Round II urban Empowerment Zones in FY 2000.

Potential Issues

- Public Housing. Passback reduces funding by 6 percent to $6 billion in 2000. Provides funding for all accruing capital needs but not to reduce existing backlog, pending mandated rule-making to revise formulas. Local housing authorities will oppose.

- FHA Multi-Family Loan Guarantees. Preserves subsidies for all targeted development, but cuts credit subsidy for apartment development that is not targeted to low or moderate incomes.

- Economic Development Initiative (EDI). Passback provides no funding for Secretary's priority. Historically, Congress has heavily ear-marked the program. HUD has indicated willingness to develop alternate proposal post-passback.

DEPARTMENT OF THE INTERIOR
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA	7,078	7,523*	7,909	7,711	8,593	8,099
Emergency	--	42	--	6	--	--
Total, Budgetary Resources	7,078	7,523	7,909	7,717	8,593	8,099

Passback Decisions

- Funds the second year of FY 1999 Administration initiatives including the Land and Facilities Restoration for national parks, refuges and other public lands (LFRI -- $1,163 million, + 5 percent over FY 99 enacted); the Clean Water Action Plan (CWAP -- $354 million, + 6 percent); and Endangered Species (ESA -- $111million, + 22 percent).

- Funds core government programs: $1,395 million for National Park Service operations (+8 percent over enacted); $724 million for Fish & Wildlife Service operations (+9 percent); and $744 million for the Bureau of Land Management operations (+4 percent). Funds Millennium program at $30 million, same as enacted (no state grants).

- Abandoned Mine Lands (AML) Fund. A $25 million increase (+14 percent over enacted) for reclamation of coal mine lands. This would begin a four-year ramp-up increasing Fund appropriations by $100 million in 2003, resulting in Fund spending equaling its coal tax receipts by that year. The tax expires in 2004.

- Bureau of Indian Affairs (BIA). Funds BIA at $1,844 million (+6 percent over enacted), increasing tribes' highest priorities (education and other tribal programs). Fully funds the BIA portion of the Indian Law Enforcement Initiative, and construction of two new reservation schools (three new schools requested).

- Bay-Delta (CA) Ecosystem Restoration. Funds at $85 million and proposes to extend program authorization until FY 2003. This is the first time the Administration will not request $143 million, the full annual amount authorized. The lower level, however, makes programmatic sense, is supported by Interior and CEQ, and has a realistic chance of enactment. This program is part of the CWAP.

Potential Issues

- DOI "unofficially" proposed a $3 billion, unoffset "Partnership for America's Resources" (PAR) initiative, which is $2 billion over target. PAR would increase funding for a number of existing discretionary conservation programs and switch them to mandatory; create new mandatory state and local grants and programs to conserve farmlands, wetlands, and open spaces.

- Passback builds on core ideas in PAR to support well developed, sound and widely accepted programs and ideas within discretionary guidance. The passback emphasizes "saving the next great places," "stewardship," and technical assistance to states and localities to foster "smart growth," including the Community-Federal Information Partnership -- part of the VP's effort to help communities manage sprawl -- (+16 million). $777 million of the PAR request is included in the Passback alternative -- (+6 percent over enacted).

DEPARTMENT OF JUSTICE
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
Base BA	9,316	15,873	16,772	16,605	21,039	16,977
COPS	0	1,430	1,420	1,430	315	300
Emergencies	0	0	0	75	0	0
Total, Budgetary Resources	9,316	17,303	18,192	18,035	21,354	17,277

Passback Decisions

- Immigration. $269 million above enacted to fund the naturalization initiative, additional border technology, and detention space construction. This technology will have a force multiplying effect equivalent to about 1,000 Border Patrol agents. No funds are included for new agents.

- Prisons. $235 million above enacted to reduce overcrowding by activating new prisons, providing 4,000 additional contract beds for criminal aliens, funding a new penitentiary in the West, and funding site and planning for two additional prisons. DOJ's prison population increased by 10,000 in 1998.

- Counterterrorism and cyber crime. $153 million above enacted to continue ongoing initiatives, including the National Infrastructure Protection Center, the information system for investigative and intelligence data, and equipping a new FBI forensic laboratory opening in 2000.

- Drug enforcement. $26 million above enacted to complete deployment of DEA's office automation infrastructure, and for other costs.

- New technology. A new $200 million analog spectrum fee provides $100 million for State and local assistance for wireless communications and information integration; $85 million for DOJ digital communications and interoperability; and $15 million at Treasury for digital communications.

Potential Issues

- Includes several reductions in State and local grants to offset above increases: 1) State Criminal Alien Assistance Program ($-140 million) to offset the INS increase, which should reduce the number of illegal aliens who enter the country and break State laws; 2) Prison Construction Grants Program (- $289 million) to offset Bureau of Prisons increase. This program represents 3 percent of State prison costs. The grants have encouraged States to adopt stricter sentences, but there is little evidence that they will prompt significant additional changes; 3) Byrne Law Enforcement Assistance Grant program (- $109 million) to offset the FBI and DEA increases.

- Communications Assistance and Law Enforcement Act (CALEA): The CALEA program will receive only $15 million. DOJ requested $150 million.

DEPARTMENT OF LABOR
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA/Program Level	9,920	10,709	11,120	10,984	13,039	11,086
Emergency BA	---	---	---	7	---	---
Total, Budgetary Resources	9,920	10,709	11,120	10,991	13,039	11,086

Passback finances a program level above FY 1999 enacted and includes several job training and workplace enforcement initiatives. Room was made for these initiatives by freezing several programs at the FY 1999 enacted level and proposing new user fees for certifying alien employment and job tax credits.

Passback Decisions

- Job Training. $5.3 billion for the recently enacted Workforce Investment Act (WIA):
  - a straightline of youth, adult, and dislocated worker job training grants (the latter program at its $1.4 billion level still fulfills Fast Track commitments);
  - a new $100 million competitive grant for training to address national skill shortages;
  - $20 million in the base to reward high academic achieving youth in high poverty areas with higher-paying, longer duration summer jobs.
- Labor Law Enforcement. $1.1 billion, nearly $100 million (9.5 percent) over FY 1999 for such agencies and programs as OSHA and Mine Safety, the Employment Standards Administration (e.g., minimum wage, Federal contractor EEO), and for pension oversight. Also provides a $16 million increase (nearly 9 percent) over guidance for the National Labor Relations Board.
- Labor Statistics. $418 million, including $3 million to finish the CPI revision and $7 million for improving service sector data and the Employment Cost Index (ECI).
- Other Programs. Includes $3.3 billion for state grants for unemployment insurance administration and the employment service, which are straightlined, while other non-enforcement salaries and expenses agencies are increased above FY 1999 for information technology and related management initiatives. Older American employment grants are straightlined at $440 million. Also proposes a small new H-2a electronic job matching program for agricultural workers and growers.

Potential Issues

- Job Training. DOL will want as much as $1 billion for grants to serve youth, adults, and dislocated workers to support the new WIA. This isn't possible under current constraints, but Passback does include two initiatives that address skill training needs of adults and youth, and the H-1b fees recently enacted will finance regional skill alliances and other skill shortage training as well.

- Employment Service/One-Stop Centers. No increase for the electronic labor exchange (Job Bank, etc.). WIA state setaside, or WIA local grants can finance consumer report cards and related WIA requirements for one-stops and other improvements to this system.

- Job Corps. DOL believes Job Corps needs at least a 15 percent ($28 million) raise for teachers to retain good staff and avoid labor strife. Passback is for 5 percent which can be targeted as needed. A last minute request of $23 million to complete a 5-center expansion is not included. The original plan was for 4 low-cost centers; the fifth was added as a Fast Track commitment for Broward County. Broward did not apply for a center. Thus, by dropping the 5th center, reducing the size of the 4 remaining centers, and staging their opening, DOL should be able to meet it expansion plans without additional resources. (Note: The new sites have been selected, but not announced.)

- BRIDGE. Although not specifically requested by DOL, and not included in DOL's Passback, $150 million for this program of local coordination grants proposed by the Task Force on the Employment of Adults with Disabilities probably will be housed in DOL. We are exploring whether this level is necessary and alternative ways to finance, which could include a carve out in Vocational Rehabilitation.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted*	FY 2000 Agy Request	FY 2000 Passback*
BA/Program Level	14,323	13,638	13,465	14,465	13,974	14,067

Passback Decisions

- International Space Station. Provides $1.1 billion of NASA's requested $2.4 billion five-year cost increase for Station. The additional funds should keep Station on schedule in the near term and allow development of U.S. hardware that should eliminate, by FY 2003, NASA's dependence on Russian contributions. The additional $1.1 billion is offset by deferring outyear Station hardware and research equipment. Also, lower priority NASA aeronautics research is reduced (e.g., supersonic commercial aircraft technology). *OMB is currently working with NASA to refine this proposal.*

- Technology Initiatives. Reallocates $470 million over five years within Space and Earth Science for the Administration's IT initiative and other high-leverage technologies. These technologies will increase the return of NASA's science programs many fold through revolutionary capabilities in the areas of networking, intelligent systems, nanotechnology, communications, mobility, and propulsion for robotic spacecraft and rovers.

- Other Administration S&T Priorities. Protects priority programs in space and earth science, advanced space transportation technology (e.g., X-33), and aviation safety research.

Potential Issues

- Space Station Cost Growth. The passback provides only $1.1 billion of the $2.4 billion of extra budget NASA requested for Station. The $1.1 billion in passback assumes tough offsets within NASA. For example, the aeronautics budget is reduced 18 percent over five years and is likely to require workforce reductions of about 500 FTEs over five-years (most at the 2,000 FTE NASA Lewis Research Center, renamed Glenn Research Center, unless other work transferred there). Funding the full $2.4 billion within NASA would require deep reductions to priority earth and space science programs which Congress would strongly oppose (e.g., Sen. Mikulski).

- Payments to Russia. Passback does not provide NASA's requested $450 million for potential payments to Russia through FY 2002 for critical Russian hardware. Passback assumes such payments would be offset within NASA's budget, which could delay outyear Station assembly. Congress will be concerned with any proposal that takes money from NASA to pay Russia.

NATIONAL SCIENCE FOUNDATION (NSF)
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted*	FY 2000 Agy Request	FY 2000 Passback*
BA/Program Level	2,734	3,429	3,773	3,707	4,358	3,872

Passback Decisions

- Overall. Provides for an overall NSF increase of 5 percent over FY 1999 enacted.
- Research. Provides $209 million or a 8 percent increase over FY 1999. This allows for an increase of 1,000 researchers receiving grants.
- Information Technology Research Initiative. Provides $110 million for NSF's contribution to a multi-agency Administration IT research initiative ($705 million over five-years). The IT initiative also includes participation of DOE ($20 million in FY 2000) and NASA ($20 million in FY 2000) for a total multi-agency effort of $156 million ($905 million over five-years). The initiative responds to the President's Information Technology Advisory Committee's recommendation for budget increases in fundamental long-term IT research and would allow for incremental improvements in civilian supercomputers as is already planned.
- Education. Provides $668 million for education activities. Supports activities that will impact 107,000 K-12 teachers and 12,000 K-12 students in science and mathematics education. In addition, NSF will receive $27 million from H-1B immigrant fees for education activities.
- Network for Earthquake Engineering Simulation. Provides $8 million to initiate a $82 million multi-year effort to connect and integrate a distributed collection of earthquake engineering facilities, thereby allowing more efficient simulation of earthquake impacts on structures.

Potential Issues

- Research Budget Distribution. NSF is sensitive to a balanced investment across all its research areas. They are likely to be concerned about relative reductions to non-IT research, education, and new research equipment to make room for the IT initiative. For example, the passback
  - -- Provides 4 percent increase over FY 1999 for non-IT research--which is equal to average increases this decade--but NSF requested a higher 6 percent increase.
  - -- Provides $5 million increase for education activities; $39 million less than NSF requested within guidance.
  - -- Defers decision to build a new research aircraft with improved capabilities.

OFFICE OF PERSONNEL MANAGEMENT
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA.................	242	188	187	187	231	196

Passback Decisions

- **Provides** an increase of $9 million, or 5 percent, above enacted, to help OPM meet increased fixed costs, and allow OPM to continue and/or improve mission critical activities. Passback includes $3 million for new NARA fees for storage and retrieval of governmentwide personnel files of former Federal employees, and $10 million to continue development of governmentwide electronic personnel recordkeeping, expand oversight of Federal agencies' adherence to merit system principles, and continue modernization of retirement program processes and infrastructure. After five years of reductions, Passback represents the first increase requested for OPM administrative expenses since 1993.

Potential Issues

- If OPM appeals this relatively generous passback, they will likely argue that it funds certain program enhancements, but does not hold OPM harmless for pay, non-pay inflation, and rent increases. They may argue further that in order to absorb those costs, and support potential new initiatives such as a proposed Federal Long Term Care Insurance program, OPM will have to further reduce staffing levels below the 50 percent reduction already achieved since 1993. We believe the Passback provides sufficient funding to continue OPM's current level of service, with identified expansions and improvements, and without staffing reductions. We would note further that the increases above guidance granted to OPM are atypical in this budget, and that this was a conscious decision made in appreciation of OPM's eager support of presidential health initiatives.

SMALL BUSINESS ADMINISTRATION
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA Program Level	924	715	724	719	1,132	696
Emergency Funding	70	0	0	101	0	232
Total, Budgetary Resources	994	715	724	820	1,132	928

Passback Decisions

- Disaster Loans. $355 million total provided to support a $934 million loan volume, the 10-year average. Of this amount, the historical average funding of 33 percent, or $123 million, is provided under the discretionary caps. The remainder is provided through contingent emergency appropriations.

- Business Loans. $272 million provided for business loan programs, including funding for 7(a) Business Loan subsidy supporting a $10 billion volume, equal to the FY 1999 enacted level.

- Access to credit. Passback provides support for investment in distressed/underserved areas: $17 million for a New Market Venture Capital initiative, $29 million to increase 7(a) lending in underserved markets, $28 million for Microloan technical assistance (47 percent above FY 1999 enacted), and $10 million for One-Stop Capital Shops (223 percent above FY 1999 enacted).

Potential Issues

- SBA's request is 60 percent above guidance ($400 million). This reflects full funding for disaster loans within the discretionary caps plus several expansions and initiatives.

- The passback funds most of SBA's core programs at or above FY 1999 requested levels, but provides only limited funding for a few of SBA's many proposed new initiatives. The agency is likely to appeal the levels for both core programs and new initiatives.

- SBA will object to contingent emergency appropriations for the disaster program, because SBA does not perceive this as "firm" funding.

SOCIAL SECURITY ADMINISTRATION
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted*	FY 2000 Agy Request	FY 2000 Passback*
BA/Program Level	4,823	6,467	6,523	6,512	6,997	6,899

Passback Decisions

- Ongoing Operations. Provides sufficient funding to maintain FY 1999 levels of service in all areas of SSA activity, i.e., no deterioration of service.

- Additional Continuing Disability Reviews. Provides funds at $50 million more than FY 1999 level for fifth year of 7-year effort to eliminate backlog of CDRs, saving program dollars by ensuring that benefits are paid only to people who continue to be disabled. Funds are subject to existing discretionary cap adjustment authority.

- Additional Non-Disability Redeterminations of Eligibility. Provides funds at the FY 1999 level of $50 million to continue effort to ensure that only individuals who are financially eligible for Supplemental Security Income (SSI) benefits are receiving benefits and in the proper amount. Budget would propose making these funds subject to discretionary cap adjustment authority.

- Attorneys Users Fees. As proposed in the FY 1999 Budget, but not enacted, establish a users fee on representatives of Disability Insurance (DI) and SSI claimants to cover cost to SSA of (a) the representative fee approval process in SSI and DI cases and (b) direct payment of that fee to the representative by SSA in DI cases. SSA would collect $19 million in FY 2000.

- Automation Investment Fund. The AIF is a multi-year computer infrastructure investment fund. Between FY 1994 and FY 1998, $900 million was appropriated to this fund. In addition, SSA has for the last three years had authority to transfer unobligated one-year funds originally appropriated for ongoing operations to the AIF. SSA has transferred $150 million to the AIF under this authority. Passback rescinds this amount.

Potential Issues

- Automation Investment Fund. SSA will likely appeal the rescission. The Passback recognizes the constraints of the discretionary spending caps and opts for slowing SSA's technological improvement efforts in order to prevent deterioration of current service delivery.

- Capital Investment Fund. Passback does not provide any funds for agency request to establish a capital investment fund at $50 million per year, with no plans to spend until FY 2003.

DEPARTMENT OF STATE/INTERNATIONAL AFFAIRS
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA/Program	20,937	19,494	20,498	20,021*	25,388	20,111*
Emerg BA	--	--	--	1,528**	--	350**
Total, Budgetary Resources	20,937	19,494	20,498	21,549	25,388	20,461

Passback Decisions

- Africa and New Independent States. Increases funding for Africa from $780 million in bilateral assistance to $800 million. Increases funding for the NIS from $801 million (non-emergency) to $807 million, and fully funds requested programs to combat the proliferation of weapons of mass destruction.

- Kosovo. Funds full second year costs of Kosovo Verification Mission ($43 million) and provides $25 million as a U.S. contribution to the European led effort on reconstruction.

- Non-proliferation. Fully funds key nonproliferation and related priorities, including the International Atomic Energy Agency, Korean Peninsular Energy Development Organization and Comprehensive Test Ban Treaty preparatory commission.

- Multilateral Development Banks. Fully funds scheduled payments, including all banks that affect Africa, with $50 million increase for the International Development Association. Funds Global Environment Facility scheduled payment ($107.5 million), with three year plan to pay off current arrears (also $107.5 million).

- United Nations. Funds ongoing annual assessments to the United Nations and other international organizations and provides third year funding for the UN arrears payments.

- State Department operations. Funds an increase, and modifies the mix of activities funded in the $1.4 billion FY 99 emergency appropriation for overseas security, thereby insuring that related recurring costs are covered in FY 2000.

Potential Issues

- Embassy Construction. Does not include State's $1.4 billion request for construction of new embassies and consulates. Asks that State Department first provide an implementation plan for $1.4 billion emergency security funding and then the report of security panel called for in the FY 99 legislation. OMB will work with State to develop a capital construction program plan to be included in the outyear budget estimates.

- Bilateral Assistance. Does not provide substantial across the board increases for bilateral assistance programs in Central America, Asia, NIS or Eastern Europe.

TENNESSEE VALLEY AUTHORITY
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA	135	70	77	50	70	7

Passback Decisions

- TVA's Non-Power Programs. Finance these programs (such as commercial navigation and dam safety activities) through proceeds from the agency's $6.5 billion per year electric power program rather than through annual appropriations. This change is consistent with provisions in the FY 1999 Omnibus Appropriations Act that reduce TVA's debt by $1.2 billion and, in return, ask the Federal power agency to pay for these programs out of power program proceeds.

- Land Between The Lakes (LBL) National Recreation Area. Propose an appropriation of $7 million, the FY 1999 enacted level. The FY 1999 Omnibus Appropriation Act specifies responsibility for LBL is to transfer from TVA to the U.S. Forest Service in any year that Congress appropriates less than $6 million for TVA to manage LBL. This funding proposal avoids triggering this transfer provision.

Potential Issues

- TVA has indicated its satisfaction with no further appropriations except the $7 million for LBL, unless the Vice-President objects. The Office of the Vice President (OVP) is checking on this. The OVP has suggested that TVA explore an administrative solution (e.g., a memorandum of understanding with the Forest Service), under which LBL funding would be provided through the Forest Service but TVA would retain management responsibility for all or a part of LBL notwithstanding the statutory trigger.

- TVA advocates and TVA critics are both likely to see funding at $7 million to be a reasonable proposal that resolves much of the controversy that funding for these programs has raised for the past two years. It is unclear how they would view an arrangement that allows TVA to continue LBL management responsibility.

DEPARTMENT OF TRANSPORTATION
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy Request	FY 2000 Passback
BA/Prog. Level	34,002	40,728	45,395	45,632	48,704	47,657
Emergency BA	0	0	0	581	0	0
Total, Budgetary Resources	34,002	40,728	45,395	46,214	48,704	47,657

Passback Decisions

- Aviation. Provides $10.1 billion, with significant increases in Operations (+$443 million or 8 percent) and Capital/Research (+$257 million or 11 percent) offset by reductions to Airport Grants (-$350 million or 18 percent). Meets Gore Commission safety, security and modernization recommendations and addresses projected aviation traffic growth. Increases fees to make FAA self-supporting.

- Coast Guard. Provides $3.3 billion, an increase of $162 million or 5 percent over 1999 enacted. (Coast Guard also received $357 million in 1999 emergency supplemental funding for readiness and drug interdiction.) This maintains Coast Guard services, including higher drug interdiction levels initiated with 1999 supplemental funds, and continues fleet modernization efforts.

- Highways/transit. Provides the full guarantee level of $32.9 billion, an increase of $1.6 billion or 5 percent over 1999 enacted. Highway safety operations and research would be funded within the highway guarantee category, rather than within the NDD cap. $539 million of the $1.6 billion guarantee increase would be allocated to transit and environmental programs.

- Railroads. The Amtrak request of $571 million is fully funded, a modest increase in safety inspectors is provided, and high speed rail and maglev research is continued.

Potential Issues

- Aviation. Aviation user fees would increase by $1.5 billion (16 percent) which may impede efforts to convert to cost-based user fees. However, these fees permit a more viable FAA funding level which is needed to even begin fee discussions with Congress and industry. Regarding Airport Grants, Congress will criticize the cut to this popular program, but small and medium airports are protected and large airports have easy access to private capital markets.

- Coast Guard. The Passback would close several small boat and air stations which are supported by Congress but are not needed to meet Coast Guard safety standards.

- Highways/transit. The proposal reopens TEA-21, to increase funding for safety, transit and environment. Appropriators could make such a change.

- Railroads. High priority research is continued, but funding for $1 billion in high speed rail and maglev construction is not provided. This will encourage State and private investment in these systems.

DEPARTMENT OF THE TREASURY
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted*	FY 2000 Agy Request	FY 2000 Passback*
BA/Program Level	10,302	11,525	12,319	11,793	13,545	11,959
Emergency BA				889		
Total, Budgetary Resources	10,302	11,525	12,319	12,682	13,545	11,959

Passback Decisions

- Treasury requests $1.750 billion (or 15 percent) over base 1999 enacted. More than half of this is for improvements in IRS' information systems and to fund compliance with the IRS Restructuring and Reform Act (RRA). The remainder funds a series of initiatives, including Secret Service financial fraud investigations, Brady Act follow-up investigations, a Customs trade processing system, enhanced Departmental Office functions and costs to maintain program levels. Treasury proposes no user fees or Forfeiture Fund offsets.

- Internal Revenue Service: Passback provides funding of $7.9 billion ($7.8 billion in discretionary funds, $105 million from rescinded information technology balances). Includes full funding of 24 hour, 7 day a week taxpayer assistance; funding for Y2K needs in FY 2000 ($190 million); and start-up funding for RRA implementation ($25 million).

- Customs Service: Passback funding of $1.8 billion ($1.5 billion in discretionary funds, $252 million in new user fees, and $41 million in Treasury Forfeiture Funds) slightly less than FY 1999 base enacted and would require some cuts in drug interdiction to sustain current services in trade inspection.

- Law Enforcement: Passback funding of $1.5 billion ($1.4 billion in discretionary funds; $100 million in Forfeiture Funds) for ATF, Secret Service, and Federal Law Enforcement Training Center functions. Provides limited enhancements for Secret Service candidate/nominee work, and an enhanced Youth Crime Gun Interdiction Initiative. Funding provided for a new ATF headquarters through advanced appropriations for FY 2001.

- Other Treasury: $700 million to fund Departmental Offices, Treasury Fiscal bureaus, and the Community Development Financial Institutions Fund ($100 million). This fully funds request for grants, loans and technical assistance to community development financial institutions.

Potential Issues

- Passback will require a partial hiring freeze affecting portions of Treasury (less than one to one replacement of departing personnel).

- Passback does not fund continuation of activities begun with drug supplemental funds.

- Passback delays Customs modernization until FY 2001 and reduces drug interdiction activities.

DEPARTMENT OF VETERANS AFFAIRS
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999* Enacted	FY 2000 Agy Request	FY 2000* Passback
BA/Prog. Level	16,700	18,928	18,895	19,246	20,623	20,015
Medical Care						
BA	14,646	17,057	17,028	17,306	18,527	17,028
BA + Collections	14,646	17,697	17,704	17,931	19,276	17,777
With Prior Yr. Carryover	...	...	...	...	19,276	18,898*

Passback Decisions

- Medical Care. $17.0 billion to treat increasing numbers of high-priority (poor and disabled) patients, and improve services for populations with special needs, such as spinal cord injured and homeless veterans. Would continue to treat limited numbers of lower-priority veterans on a space-available basis.

  The Medical Care recommendation is consistent with the budget agreement with the VA two years ago (the agreement) which gave VA new authority to retain increasing levels of medical collections while maintaining a flat Medical Care appropriation through FY 2002. VA used this authority to carry forward $500 million in unneeded funds from FY 1998 to FY 1999, and could carry up to $1.1 billion to supplement appropriated funding into FY 2000.

- Other. $1.9 billion to improve administration of veterans compensation, pension, education, insurance and burial benefits, and for other VA programs.

Potential Issues

- VA seeks $1.5 billion in new B.A. over the budget agreement to: 1) expand its health care mission by enrolling 800,000 lower-priority (i.e., higher-income, non-disabled) veterans, and 2) provide new health benefits unrelated to military service. Instead of treating more disabled and poor veterans, VA's plan would bring large numbers of higher-income veterans with other health care options into the system, diluting its traditional public health mission, and locking the Administration into increased funding next year or risking massive "disenrollment" in an election year.

- VA's request and likely appeal would take them down a path of increasing costs by expanding its health care mission to include all higher-income, non-disabled veterans that enroll. OMB's recommendation would allow VA to improve services and treat more poor and disabled veterans, while sticking to "the agreement." *Before a decision is made to increase funding above guidance, we will need a broader discussion of VA's mission.*

Agriculture

*Net includes mandatory reductions of $240 million in FY 1999 Enacted and $180 million in FY 2000 Passback, and user fees of $520 million in FY 1999 Budget amount, $9 million in the Agency Request and $567m in FY 2000 Passback amount.

Commerce

*Figures include spending from PTO fees.

Education

*Excludes class size.

**There is a cumulative "surplus" of Pell BA. That is, the enacted BA for Pell in FY99 and prior years exceeds the amount needed to finance the program level in those years. Under the unique provisions of this program, the excess or surplus BA becomes available for use in FY00. Therefore, Education's program level for FY99 is $99 million below the enacted level, and Education can finance $350 million of the FY00 program level with this Pell surplus, and thus reduce needed new BA by $350 million.

FEMA

* Data on this line includes large year-to-year carryover balances, including $1.4 billion that is expected to be spent in FY 2000.

GSA

*Federal Buildings Fund (New Obligational Authority)

HHS

*FY99 includes $651million in user fees/collections; FY00: includes $930 million in user fees/collections.

**FY99 enacted includes $217 million for bio-terrorism, CBC AIDS and CDC base activities, $189 million for Y2K, and $300 million for LIHEAP. All other columns show LIHEAP contingent emergency funding only.

HUD

* Within total, BA needed to renew expiring contracts for existing low-income subsidies.

Interior

* Agency total does not include $532 million in one-time Land & Water Conservation (LWCF) funds in FY 1998.

Labor

*This amount is offset by $95 million in user fees for processing alien labor certifications and the Work Opportunity Tax Credit.

NASA

*Includes carryover of $ 800 million in FY 1999 and an estimated $750 million in FY 2000.

NSF

*Includes carryover of $35 million in FY 1999 and an estimated $22 million in FY 2000.

SSA

* FY 1999 total includes $75 million in user fees. FY 2000 total includes $99 million in user fees and does not reflect the proposed rescission of $150 million in the Automation Investment Fund.

State/IA

* FY 99 Enacted includes fee revenue of $360 million and FY 2000 Passback includes fee revenue of $392 million.

** Emergency BA for Overseas Security is divided between FY 1999 and FY 2000.

Treasury

*2000 Passback assumes $252 million in Customs EXCEL fee, $141 million in offsets from Treasury Forfeiture Fund, and rescission of ITIA balances to provide another $105 million in resources.

VA

* Medical Care carried an unneeded $0.5 billion into FY 1999, and will have carry over of $1.1 billion into FY 2000.

11-30-98

THE WHITE HOUSE

WASHINGTON

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November 25, 1998

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MEMORANDUM TO THE PRESIDENT

FROM: STEPHANIE STREETT

SUBJECT: SCHEDULING DECISIONS

CC: JOHN PODESTA, MARIA ECHAVESTE, STEVE RICCHETTI, & DOUG SOSNIK

ACCEPT:

Date of Event:	Description of Event:
11/30/98	Working Visit with President Chissano of Mozambique The White House *Staff Contact: Samuel Berger*
11/30/98	Electronic Commerce Event OEOB 450 *Staff Contact: Ira Magaziner*
11/30/98	Meeting with Chairman Arafat and Remarks to the Palestinian Donors Conference The White House and the State Department *Staff Contact: Samuel Berger* **Chairman Arafat will be in Washington, D.C. to participate in the Palestinian Donors Conference at the State Department. You will meet with the Chairman for 30 minutes in the Oval Office and then go with him to the State Department to address the opening session of the Donors Conference. After your remarks you will return to the White House and Chairman Arafat will remain at the State Department to participate in the Conference throughout the day.**

12/1/98	Event to Commemorate World AIDS Day The White House *Staff Contact: Bruce Reed, Minyon Moore, Sandra Thurman*
12/1/98	Meeting with John Sweeney, President, AFL-CIO The White House *Staff Contact: Karen Tramontano*
12/2/98	Meeting with Senate Democratic Leadership and Reception for Democratic Senators The White House *Staff Contact: Larry Stein*
12/2/98	Meeting and Lunch with Prime Minister Sharif of Pakistan The White House *Staff Contact: Samuel Berger*
12/2/98	Democratic Leadership Council's 1998 Leadership Dinner Corcoran Gallery of Art, Washington, D.C. *Staff Contact: Craig Smith*
12/8/98 - 12/9/98	White House Conference on Social Security Wardman Marriott Hotel and The White House *Staff Contact: Gene Sperling*
12/8/98	Drop-by Peace Links Dinner Capitol Hilton Hotel, Washington, D.C. **The First Lady is also scheduled to attend this event in honor of Dale and Betty Bumpers.**
12/8/98	National Democratic Institute's (NDI) 1998 Harriman Democracy Award Ceremony Omni Shoreham Hotel, Washington, D.C. *Staff Contact: Samuel Berger* **You will be awarded with the NDI's 1998 W. Averell Harriman Award recognizing your successful leadership in the promotion of democracy and human rights and American values worldwide. NDI will also present another award to the political party leaders who negotiated the Northern Ireland peace accord.**

12/9/98	Award Fourth Star to Lt. General Benjamin O. Davis, Jr. OEOB 450 *Staff Contact: Thurgood Marshall, Jr., Minyon Moore, Bob Nash* **Due to Lt. General Davis's rapidly failing health, we have received a request to schedule this event as soon as possible.**
12/9/98	Pageant of Peace The Ellipse *Staff Contact: Melinda Bates*
12/18/98	US-EU Summit at the White House *Staff Contact: Samuel Berger*
12/18/98	Meeting with the President's Advisory Council on HIV/AIDS The White House *Staff Contact: Bruce Reed, Sandra Thurman* **Please note that this is the meeting that was announced at the October 28 HIV epidemic announcement in conjunction with the Congressional Black Caucus.**
12/21/98	Ceremony for 10th Anniversary of the Pan Am 103 Tragedy Arlington Cemetery, Arlington, VA *Staff Contact: Samuel Berger*
12/22/98	Presentation of the HMX-1 Christmas Card The White House *Staff Contact: Virginia Apuzzo, Col. Tim Milbrath*
12/24/98	Christmas Eve Telephone Calls to Members of the Armed Forces *Staff Contact: Virginia Apuzzo, Col. Timothy Milbrath*
1/27/99	Dinner in Honor of Commanders in Chief and Service Chiefs The White House *Staff Contact: Samuel Berger*

OPTION:

Date of Event:	Description of Event:
11/24/98	Drop-by Farewell Party for Doris Matsui The White House *Staff Contact: Minyon Moore, Capricia Marshall*

11-30-98

11/28/98	Engagement Party for Andrew Friendly and Kelly Crawford Georgetown, Washington, D.C. **You are currently scheduled to be at Camp David for the holiday weekend, however we will list this as an option on your schedule in case this is something you would like to attend.**
12/3/98	Drop-by Sandy Berger's Meeting with Greek American Leaders The White House *Staff Contact: Samuel Berger*
12/10/98	Drop-by Annual Senior Citizens' Holiday Tour The White House *Staff Contact: Virginia Apuzzo*

PENDING:

Date of Event:	Description of Event:
12/4/98	Armed Forces Full Honor Review and Award Ceremony in Honor of Senator John Glenn Fort Myer, VA **We just received this invitation from Secretary Cohen for you and the First Lady to attend this ceremony and thought you might be interested.**
12/5/98	Army-Navy Football Game Veterans Stadium, Philadelphia, PA *Staff Contact: Virginia Apuzzo, Col. Tim Milbrath* **Secretary Cohen, Secretary Dalton, and Secretary-Designate Danzig have invited you to attend the 108th Army-Navy football game. Please note that this is the day of the SEC Championship game, and Craig Smith has requested that you play golf with a group of people if you are in town on this day.** ***Are in interested in attending the Army-Navy football game in Philadelphia, PA?*** **Yes**________ **No** ✓________

11-30-98

12/10/98 or 12/11/98	Group Meeting with Central American Presidents The White House *Staff Contact: Samuel Berger* **The leaders of El Salvador, Guatemala, Honduras, and Nicaragua will be in Washington, D.C. to attend the Special Consultative Group meeting to be led by the Inter-American Development Bank (IDB).**
12/21/98	Visit to Homeless Shelter Location TBD, Washington, D.C. *Staff Contact: Bruce Reed, Thurgood Marshall, Jr.* **There has been a proposal for you to visit a homeless shelter before the Christmas holiday. We would like to find an event that will include Americorp participation. *Is this something you would be interested in doing?*** **Yes** ✓ **No** ____
December TBD	Host 2nd Annual Presidential Awards for Excellence in Microenterprise Development The White House *Staff Contact: Melanne Verveer*

REGRET:

Date of Event:	Description of Event:
12/1/98 - 12/15/98	Strike Ceremonial Delaware Quarter to Launch the 50 State Quarter Program Philadelphia Mint, Philadelphia, PA *Staff Contact: Thurgood Marshall, Jr.* **This proposal has been forwarded to the other principals and the Cabinet for consideration.**

11-30-98

12/3/98	Attend USO's Annual Gala and Present "Spirit of Hope" Award to Walter Cronkite USS Intrepid, New York, NY *Staff Contact: Minyon Moore* **You are currently scheduled to be in Washington, D.C. on this day to participate in a Patients Bill of Rights Event. This proposal has been forwarded to the other principals and the Cabinet for consideration.**
12/4/98	Reception for AFL-CIO Labor '98 Debriefing Omni Shoreham Hotel, Washington, D.C. *Staff Contact: Craig Smith* **The VP is attending this reception, you have a full schedule on this day.**
12/10/98	Construction Ground Breaking for Alameda Corridor Los Angeles, CA *Staff Contact: Thurgood Marshall, Jr.* **You are currently scheduled to be in Washington, D.C. on this day, to participate in a Child Safety Event, budget meetings, etc. This proposal has been forwarded to the other principals and the Cabinet for consideration.**
11/30/98 - 12/2/98	Remarks at Washington Conference on Holocaust-Era Assets Location TBD, Washington, D.C. *Staff Contact: Minyon Moore* **You are currently scheduled to participate in the Electronic Commerce Event on November 30, a World AIDS Day Event on December 1, and a Meeting/Reception with Democratic Senators on December 2. Secretary Albright is scheduled to address this conference, and the Vice President is also considering attending the conference.**
December TBD	Meeting with Members of the Presidential Task Force on Employment of Adults with Disabilities Task Force Location TBD, Washington, D.C. *Staff Contact: Thurgood Marshall, Jr.* **The Vice President is scheduled to participate in an event with this group.**

November 1998

* *Presidential Calendar*

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 Remarks to New Psalmist Baptist Church, Baltimore, MD Inteview with April Ryan Afternoon & Evening Off	*2* Interviews (Tom Joyner/Hispanic Radio Conf. Call/Tavis Smiley of BET/Afr.-Amer. Celebs) Foreign Policy Meeting *Patients Bill of Rights Event* Evening Off Tent Goes Up	*3* Economic Team Meeting Evening Off Election Day	*4* Down Until 10:00am Hold 1 Hour *Social Security Meeting* Working Visit with PM Drnovsek of Slovenia (30 minutes) VP Lunch Mil/PPD Departure Photos Evening Off	*5* *Congressional Meeting* Medals of Arts & Humanities Ceremony Meeting w/Steel Executives Videos Medals of Arts & Humanities Dinner	*6* Tape Radio Address Bill Signings (Auto Heritage) Central High Bill Signing Event Northwest Regional Airport Dedication Ceremony, Springdale, AR Dinner, Fayetteville, AR RON DC Unemployments #s Released	*7* Camp David, MD Day & Evening Off RON Camp David, MD Tent Comes Down
8 Camp David, MD RON Camp David, MD	*9* Return to DC Down Until 5:30pm NCAA Basketball Champions Event Hold Evening	*10* *Address President's Export Council* Budget Review Meeting Drop-by Meeting with Dalai Lama Drop-by COS Cabinet Meeting Foreign Policy Meeting Evening Off	*11* Veterans Day Breakfast Bill Signing (Vet. Benefits) *Arlington Cemetery Veterans Day Event* Afternoon & Evening Off Veterans Day	*12* *After-School Care/Childcare Event* Bill Signing (TR Medal of Honor) Budget Review Meeting (1 Hour) Hold 1 Hour Evening Off	*13* Intern Photo *Crime Event (Bill Signings)* Tape Radio Address Trip Briefing with Mrs. Gore Congressional Reception	*14* Foreign Policy Meeting Evening Off
15 *Foreign Policy Statement* Afternoon & Evening Off International Day of Prayer	*16* Down Until 2:45pm *Statement on Tobacco Settlement* Evening Off FLOTUS Foreign Travel	*17* Economic Briefing/Foreign Trip Briefing Evening Off APEC Meeting, Kuala Lumpur, Malaysia	*18* *Departure Statement* Depart for Foreign Travel Tokyo, Japan RON Tokyo, Japan	*19* Tokyo, Japan RON Tokyo, Japan	*20* Tokyo, Japan Seoul, Republic of Korea Tape Radio Address RON Seoul, Republic of Korea	*21* Seoul, Republic of Korea RON Seoul, Republic of Korea
22 Seoul, Republic of Korea Military Sites (KTC & Osan Air Base), Republic of Korea RON Seoul, Republic of Korea FLOTUS Foreign Travel	*23* Depart en route Guam Guam RON DC	*24* Down Until 12:00pm *Turkey Presentation Ceremony* *Adoption Event* Budget Review Meeting (1 Hour) SOU Meeting Drop-by Nobel Laureates Reception Evening Off	*25* Depart for Camp David, MD (AM) RON Camp David, MD	*26* Camp David, MD Day & Evening Off RON Camp David, MD Thanksgiving	*27* Camp David, MD Day & Evening Off Tape Radio Address (World AIDS Day) RON Camp David, MD	*28* Camp David, MD Day & Evening Off RON Camp David, MD
29 Camp David, MD Day & Evening Off RON TBD	*30* *Electronic Commerce Event* Working Visit with President Chissano of Mozambique Meeting with Chairman Arafat (T) WETA In-Performance					

October

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December 1998

* *Presidential Calendar*

November 98

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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 *World AIDS Day Event* Mtg. with Sweeney Hold 1 Hour DNC Dinners, DC (2) World AIDS Day	*2* *Meeting with Democratic Senators (Oval Meeting & Social Meeting)* Meeting and Lunch with PM Sharif of Pakistan (2 hours) *DLC Leadership Dinner*	*3* *Patients Bill of Rights Event (Bipartisan) (T)* Meeting (JJ) (T) Budget Review Meeting (2 Hours) Evening Off	*4* *Economic Event or Possible Press Conference (T)* Budget Review Meeting (1 Hour) Tape Radio Address (Drunk-Driving Prevention) Evening Off Unemployment #s Released	*5* Day & Evening Off Army-Navy Football Game SEC Championship Game
		House Closed for Holiday Decorating (Tuesday–Saturday)				
6 Day Off WH Reception for Kennedy Center Honors Holiday Photo Social Aide Photo Kennedy Center Honors	*7* Down Until 12:00pm *Prison Drug-Testing Announcement (T)* Budget Review Meeting (1 Hour) SOU Meeting (T) Videos (45 minutes) Congressional Ball	*8* *WH Conference on Social Security* Drop-by Peace Links Dinner, DC NDI Dinner, DC	*9* Award 4th Star to Lt. General Davis *WH Conference on Social Security* Pageant of Peace Holiday Receptions (2)	*10* *Child Safety Event (T)* VP Lunch (T) Human Rights Day Photo-op (T) Budget Review Meeting (90 minutes) Hold 1 Hour Evening Off Tent Goes Up Human Rights Day	*11* *Possible Press Conference (T)* Meeting with Central American Leaders(T) Tape Radio Address (Mid-East Trip) Briefing for Foreign Trip Evening Off	*12* Depart for Foreign Travel (@ 6:30am) Hold for Foreign Travel
13 First Night of Hannukah	*14*	*15*	*16* Day & Evening Off	*17* *Y2K Event (T)* Budget Review Meeting (2 Hours) Hold 1 Hour Special Olympics Dinner & Performance	*18* *USEU Summit at the White House* Budget Review Meeting (1 Hour) HIV/AIDS Council Meeting AR/TN Dinner, DC	*19* Live Radio Address (Airline Safety) Afternoon Off Holiday Dinner
Hold for Foreign Travel (Sunday–Tuesday)						
20 Morning Off Holiday Receptions (2) Evening Off	*21* *Pan Am 103 Anniversary Event, Arlington Cemetery* *Possible Service Event (Shelter Visit) (T)* Holiday Press Event First Day of Winter	*22* *Children's Christmas Reading Event* HMX-1 Christmas Card Presentation Holiday Receptions (2)	*23* Day Off Residence Staff Reception Tent Comes Down	*24* Day & Evening Off Tape Radio Address Christmas Eve Phone Calls to Troops	*25* Day & Evening Off Christmas	*26* Day & Evening Off
			Hold for Vacation (Wednesday–Saturday)			
27 Day & Evening Off	*28*	*29*	*30*	*31* New Year's Eve		
Hold for Vacation (Sunday–Thursday)						

January 99

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January 1999

* *Presidential Calendar*

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1 Tape Radio Address New Year's Day Hold for Vacation	2
3 Hold for Vacation	4	5	6 Meeting w/Labor Leaders (T) Thinker's Dinner (T) House/Senate Convene	7 VP Lunch Hold 1 Hour Evening Off	8 Depart for Hope, AR (T) Down Time/Lunch, Hope, AR Hope Dedication, Hope, AR (T) Tape Radio Address Sandlin Dinner, Texarkana, TX (T) RON Little Rock, AR (T) Unemployment #s Released	9 Day Off, Little Rock, AR (T) Arkansas State Party Event, Little Rock, AR (T) RON Little Rock, AR (T)
10 Day Off, Little Rock, AR (T) RON DC	11 Hold for State Visit (T)	12 Down Until 12:00pm SOU Prep (T) Evening Off	13 SOU Prep (T) Evening Off	14 SOU Prep (T) VP Lunch Hold 1 Hour Evening Off	15 SOU Prep (T) Tape Radio Address DNC Dinner/Concert, DC MLK Jr.'s B-Day	16 Day & Evening Off (T) SOU Prep (T)
17 Hold Day for SOU Prep	18 Hold Day for SOU Prep Evening Off MLK Day Observed	19 Hold Day for SOU Prep *State of the Union Address (T)* Congress Reconvenes (T)	20 Hold for Travel RON DC	21 Down Until 12:00pm VP Lunch Hold 1 Hour Millenium Lecture Series Evening (T)	22 Evening Off Homeownership #s Released (T)	23 Live Radio Address Afternoon & Evening Off
24 Day & Evening Off	25 Evening Off	26 *Papal Visit to St. Louis, MO* RON Camp David, MD (T)	27 Day Off, Camp David, MD (T) CINCS Dinner, Camp David, MD (T) RON TBD US Conference of Mayors Conference, DC	28 VP Lunch Detroit Red Wings Event (T) Hold 1 Hour Evening Off Wage & Benefit #s Released	29 US Conf. of Mayors Breakfast (T) Tape Radio Address Evening Off 4th Quarter GDP #s Released	30 Camp David, MD (T)
31 Camp David, MD (T) Superbowl Sunday						

December 98

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February 1999

** Presidential Calendar*

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1 FY 2000 Budget Submission (T)	*2* $ Lunch, NY (T) $ Dinner, NY (T) RON DC	*3* Off. Working Visit of President Ben Ali of Tunisia (T) Diplomatic Corps Reception (T) Evening Off	*4* National Prayer Breakfast	*5*	*6* Day & Evening Off
7 Day & Evening Off	*8*	*9* Off. Working Visit of President Chirac of France (T)	*10*	*11* *Message Event, AZ (T)* DNC Dinner Sacramento, CA (T) RON Sacramento, CA (T)	*12* *Message Event, Los Angeles, CA (T)* Hold for Possible Lunch, Los Angeles, CA (T) Saxophone Club Reception, Los Angeles, CA (T) Dinner, Los Angeles, CA (T) RON Los Angeles, CA (T) Lincoln's B-Day	*13* Hold for Travel (Family Time)
14 Hold for Travel (Family Time)	*15* Hold for Travel (Family Time) RON DC Presidents' Day Washington's B-Day	*16*	*17* Ash Wednesday	*18*	*19* Hold for State Visit (T)	*20* National Governor's Associ...on ...
21 Day Off NGA Dinner (T) National Governor's Association Meeting, DC	*22* NGA Meeting (T) DGA Dinner (T)	*23* Hold for Possible Foreign Travel	*24*	*25*	*26*	*27* CVC Birthday
28						

January

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March 1999

* *Presidential Calendar*

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2 Day & Evening Off	3 *Message Event, New York, NY (T)* Torricelli Event, New York, NY (T) Dinner, New York RON DC	4 Down Until 1:00pm	5 Hold for Travel to FL	6 Hold for Travel to FL
7	8	9	10	11 NCAA Basketball Playoffs Begin	12	13
14	15	16	17 Shamrock Presentation (T) St. Patrick's Day Reception (T) St. Patrick's Day	18 WH TV Correspondents' Dinner	19 Off. Working Visit with Tripartite Presidency of Bosnia & Herze-govina (T) Hold	20 Gridiron Dinner Hold
21 Hold	22 Hold	23 Hold	24 Hold	25 Hold	26 Official Working Visit of President Arzu of Guatemala Hold	27 NCAA Basketball Final Four Hold
28 Hold NCAA Basketball Final Four	29 NCAA Basketball Final Four	30	31 Vice President Gore's B-Day Passover Begins at Sundown			

February

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April 1999

** Presidential Calendar*

March

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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 Passover	*2* Good Friday	*3*
4 Easter	*5* Easter Egg Roll	*6*	*7*	*8*	*9* Off. Working Visit of Premier Zhu Rongji of China (T)	*10*
11	*12*	*13*	*14* Arafat-Netanyahu Meeting (T)	*15* Tax Day	*16*	*17*
18	*19*	*20*	*21*	*22* Take Our Daughters To Work Day	*23* NATO Summit, Washington, D.C.	*24*
25 NATO Summit, Washington, D.C.	*26*	*27*	*28*	*29*	*30*	

November 1998

MEG PRIVATE BLOCK

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	*2* 1:30 PM - 3:00 PM Private Meeting w/Issues Experts - Residence **NOTE: Sidwell Dismisses at 12:10pm**	*3* 1:45 PM - 2:00 PM Vote in TN w/VP ELECTION DAY	*4* 2:00 PM - 4:00 PM Office 4:00 PM - 5:00 PM Mental Health Meeting - Ceremonial	*5* 7:00 PM - 9:00 PM *Lshp '98 Thank You - Residence* **NOTE: Sen. Glenn Shuttle Returns**	*6* 10:00 AM - 11:00 AM *Nat. Museum of American Art* 3:00 PM FB at Maret *Private Time*	*7* **~VP DOWN~**
8 **~VP DOWN~** *Private Time*	*9* *NCAA Basketball Champion Event* **~VP DOWN~** **NOTE: No Classes for Sidwell**	*10* Honduras	*11* **NOTE: No Classes for Harvard** Veteran's Day **Nicaragua**	*12* 10:45 AM - 11:30 AM WLF Exe. Council Recep. - Residence 12:00 PM - 12:30 PM Pay Equity Lunch. 1:00 PM - 2:00 PM Prvt. Appt - D.B.'s	*13* 1:20 PM - 1:35 PM Mtg w/POTUS 1:40 PM - 2:10 PM Taping-Radio Address w/POTUS 6:30 PM - 9:00 PM Team Apprec. Dinner - Sidwell/Upper School	*14* 7:30 PM Prvt Dinner/Residence - Davis
15	*16* TN	*17* 2:00 PM - 3:30 PM Rural Health Event - Parrottsville Clark Ray's Bday	*18* 11:30 AM - 12:30 PM TN Rural Health Assoc. - Gatlinburg	*19*	*20* 7:00 PM *Sidwell Potluck Supper* **Note: Mrs. Pauline Gore - Joe Kraft Humanitarian Award - Nashville**	*21*
22 TN	*23* 11:00 AM - 11:30 AM Central America PSA Taping 1:00 PM - 1:20 PM USA Today Weekend Int - Res 1:30 PM - 3:00 PM Issues Mtg./Residence 3:15 PM - 4:00 PM Steward Interviews	*24* 12:00 PM - 1:00 PM Lunch w/Mayor Corradini - Res 3:30 PM - 4:30 PM NGO-Central America Brief - WH 4:40 PM - 4:55 PM J.C.Heyward Chn 4/Interview - Office 7:00 PM - 9:00 PM Nagano Film Premier	*25* **NOTE: Sidwell will dimiss at Noon**	*26* THANKSGIVING Columbia/Harvard/Sidwell Break	*27* *Private Hold*	*28*
29 Columbia/Harvar... *Private Hold*	*30* 7:00 PM - 8:30 PM Reception - Residence					

October

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December

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December 1998

MEG PRIVATE BLOCK

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
November 98 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30		*1* 10:00 AM - 10:30 AM Nat. Christmas Tree Topping *Recep/Dinner for Senate/106th Cong/Daschle* Kelly McMahon's Bday **Note: World AIDS Day**	*2* *Private Dinner w/new Sen - Res*	*3* 4:00 PM - 5:00 PM Planned Parenthood Address - St. Louis	*4* 7:30 PM Downey's Anniversary Dinner Party Shaun Romansky's Birthday	*5* Miguel Bustos' birthday
6 Kennedy Center Honors	*7* 10:00 AM - 11:15 AM Jazz in the Classroom - Shaw Jr. High / DC *Ben Page Mtg w/VP WH Congressional Ball	*8* *Social Security WH Conf*	*9* 6:30 PM - 8:00 PM Holiday Recep - Official *WH Social Security Conf*	*10* 10:30 AM - 12:00 PM *Center for Policy Alternatives Recep. - Residence* 2:00 PM - 3:00 PM Althoff Reception **NOTE: Human Rights Day**	*11* 10:00 AM - 10:45 AM Rotary International Conf - Remarks SG-Choir Performance* Boston	*12* 5:00 PM - 6:30 PM Holiday Recep - L'98 7:30 PM - 9:00 PM Holiday Recep - L'98
13 1:00 PM - 2:30 PM Holiday Recep - USSS 3:00 PM - 4:30 PM Holiday Recep - USSS 5:15 PM - 7:00 PM Christmas in Washington **NOTE: 1st Night of Chanukah**	*14* 6:30 PM - 8:00 PM Holiday Recep - L'98 Tent **Chanukah**	*15* 6:30 PM - 8:00 PM Holiday Recep - L'98 Tent	*16* 6:30 PM - 8:00 PM Holiday Recep - L'98 Tent Susan Liss' birthday	*17* 1:30 PM - 3:00 PM Prvt. Appointment 6:30 PM - 8:00 PM Holiday Recep - L'98 Tent	*18* 5:30 PM - 7:00 PM Holiday Recep - Staff 7:00 PM WH AR/TN Dinner TN Recep - Resid	*19* White House Holiday Dinner Sidwell Winter Va...
20 6:30 PM - 8:00 PM Holiday Recep - L'98 Tent	*21* 6:30 PM - 8:00 PM Holiday Recep - Official **NOTE: Pan Am 103 Anniversary Event - Arlington** **NOTE: First Day of Winter**	*22* Trooper Sanders' birthday White House Holiday Recep	*23*	*24*	*25* **CHRISTMAS**	*26* Senator Gore, Sr.'s Birthday *Private Hold*
Sidwell Winter Vacation						
27	*28*	*29*	*30*	*31* **NEW YEARS E...**	January 99 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	
Sidwell Winter Vacation						
Private Hold						

January 1999

MEG PRIVATE BLOCK

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
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					Sidwell Winter Vacation *Private Hold*	
3 Sidwell Winter Va... *Private Hold*	4 **Opening Day of 106 Congress**	5 **Opening Day of 106 Congress**	6	7 Audrey's Birthday Sarah's Birthday	8 Garland's Birthday	9 9:30 AM Sidwell Exam
10	11 Sidwell Exams	12 VP Life Long Learning Summit	13	14	15 **MLK Jrs' B-day**	16
17	18 **MLK Day** **Note: No Sidwell Classes**	19 Jack Aitcheson's Birthday	20 1:00 PM - 2:30 PM *USA Today Weekend Interview* ***State of Union***	21	22	23
24	25	26 **Note: Life Long Learning Summit in DC** **Note: Pope Arriv-es St. Louis**	27 8:00 PM *Pope Departure Event - St. Louis* US Conf. of Mayors - DC	28 Tom Downey's birthday	29	30
31						

December 98

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February 1999
MEG PRIVATE BLOCK

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7	8	9	10	11	12 Lincoln's Birthday	13
14 Araceli's birthday Valentine's Day	15	16	17 **Ash Wednesday**	18	19	20 Nat. Governor's A...
Hold for South Africa Travel						
21 Washington's Birthday	22	23	24	25	26	27 Chelsea's Birthday
Nat. Governor's Assoc. Mtg - DC						
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January

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March 1999

MEG PRIVATE BLOCK

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5 Alexia's Birthday	6
7	8	9 3:45 PM AGIII LX at Potomac - Scrimmage	10	11 7:30 AM - 8:30 AM Breakfast w/Bernie - Sidwell 4:00 PM AGIII LX vs. Maret - Scrimmage	12	13
14	15	16 4:15 PM AGIII LX at St. Andrew's - Scrimmage	17	18	19	20 Sally Aman's birthday
21	22	23 3:30 PM AGIII LX vs. Kent Dover - Scrimmage	24	25 4:30 PM AGIII LX vs. O'Connell (Opening Game)	26	27 SIDWELL SPRI...
28 SIDWELL SPRING BREAK	29	30	31 AGJ/Amy Melvin Bday **NOTE: Passover Begins at Sundown**			

February

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April 1999
MEG PRIVATE BLOCK

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				1 4:00 PM AGIII LX at Bishop Ireton SIDWELL SPRING BREAK Passover	2	3
4 Passover SIDWELL SPRING BREAK	5	6	7	8	9 4:15 PM AGIII LX vs. Flint Hill	10
11 Sue Greenberg's birthday	12	13 4:30 PM AGIII LX at Landon	14	15	16 4:30 PM AGIII LX at Calvert L.C.	17 Gore Sr.'s Anniversary
18	19 Andrew Berno Bday	20 4:30 PM AGIII LX at Episcopal	21	22	23 4:30 PM AGIII LX at Georgetown Prep	24 Ann Free's Birthday
25	26	27 3:30 PM AGIII LX vs. Good Counsel	28	29	30 7:00 PM AGIII LX at Bullis	

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November 1998

Hillary Rodham Clinton*

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 Athens Philadelphia Tampa	*2*	*3* *Election Day*	*4*	*5* Museum Awards Arts and Humanities Awards Dinner	*6* Preservation Committee Meeting Sculpture Garden	*7* Camp David
8 Camp David	*9*	*10* A&E Interview Buddy/Socks Audio	*11* *Veteran's Day*	*12*	*13*	*14*
15	*16* Honduras Nicaragua El Salvador	*17* El Salvador	*18* El Salvador Guatamala	*19* Guatamala Dominican Republic	*20* Dominican Republic	*21* Dominican Republic Haiti
22 Haiti RON Washington DC	*23*	*24* Adoption Event Matsui Going Away NGO Briefing	*25* Camp David	*26* *Thanksgiving*	*27*	*28*
29 Camp David	*30* WETA					

October

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December 1998

Hillary Rodham Clinton*

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
November 98 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30		1 Tree Acceptance People/Teen Pregnancy Lunch Reach Out and Read NYU Child Adv. Rosie O'Donnell Dinner NY	2 NY Women's Agenda Rosie O'Donnell Taping Police Athletic League Holbrooke Dinner (T)	3 Armstrong event Movie Opening (T)	4 Roosevelt Lecture at Georgetown	5 Longfellow House African-American Meeting House Mass College of Art-Boston
6 Kennedy Honors Decorator's Reception	7 Congressional Ball Press Preview X'mas in Washington Taping	8 Peace Links Social Security Conference (T) Children's Hospital	9 MADD Photo (T) Pageant of Peace USSS Reception	10 Human Rights Day Event - White House (T) Los Angeles San Francisco	11 S.F. Conservatory	12 Middle East
13 *Hannukah* (Christmas in Washington) Middle East	14 Middle East	15 Middle East	16	17 Special Olympics	18 Arkansas/ Tennessee Ball	19 Holiday dinner
20 Mixed Party	21 Melanne's X'mas Party Press Xmas Reception	22 Children's Event Holiday reception	23 Residence Party	24	25 *Christmas*	26
27	28	29	30	31 Hilton Head (T)		January 99 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

January 1999

Hillary Rodham Clinton*

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1 *New Year's Day* Hilton Head (T)	2
3	4	5	6 Thinkers Dinner (T)	7	8 Arkansas (T)	9
10	11	12 State Dinner	13 Chicago (T)	14	15 *Martin Luther King, Jr.'s Birthday* DNC Concert (T)	16
17	18 (no classes) *Martin Luther King, Jr. Day*	19 State of the Union (T)	20	21 West Coast Travel (T)	22	23
24	25	26 Papal Visit (T)	27 CINC Dinner	28	29 Florida (T)	30
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December 98

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February 99

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February 1999

Hillary Rodham Clinton*

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4 National Prayer Breakfast	5	6
7	8	9	10	11	12 *Lincoln's Birthday* Pvt. Dinner, Los Angeles	13
	UN Family Planning Association International Forum - Holland (T)					Hold for Travel
14 *Valentine's Day*	15 *President's Day (no classes)*	16	17 *Ash Wednesday*	18 State Dinner	19	20
Hold for Travel						
21 Governor's Dinner	22 *Washington's Birthday* Governor's Spouses' Lunch	23	24	25	26	27 CVC's Birthday
		Mexico/Central America (T)				
28						

January

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November 1998

VP Public Block: For Distribution

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 enosha, WI GOTV Rally ew York Rally otes Nov 1-10 Buenos Aires onference OTUS New Psalmist Baptist hurch, MD acramento RON	2 GOTV Event w/ Boxer(8am) POTUS Conference Calls(T) POTUS Patient's Bill of Rights Event Washington State Bus Tour	3 POTUS Message Event(T) Vote in TN Election Day	4 ***Message Event(20min)*** Working Visit w/PM Drnovsek of Slovenia(45 min)	5 DPM Prescott Mtg Mtg w/ Amb Rohatyn Mtg w/ Mayor Stanley ***Phone Call to Sen Glenn*** POTUS Art &humanities Dinner	6 Hold for Travel POTUS Dedication Ceremony in AR POTUS in AR Transatlantic Business Dialogue in NC	7 Note: Glenn Shuttle Returns(FL) POTUS Day/Evening Off POTUS in AR Transatlantic Business Dialogue in NC VP Down Day
8 Transatlantic Business Dialogue in NC VP Down Day	9 Call into NCAA Event NCAA Basketball Champions Event VP Down Day	10 Congressional Mtg Drop-by COS Cabinet Mtg Mtg w/ Dalai Lama(Potus Dropby) ***Unveiling of WWII Stamp*** Video Time/Export Council Brkfst/Climate Call ***Vietnam Memorial Evt***	11 DGA Event in PM POTUS Arlington Cemetery Event POTUS/VP Bill Signing Vet Benefits VP Veterans Day Breakfast w/ POTUS Veterans Day	12 ***Education Message in CA*** Hold for California travel Kantor Event in Los Angeles 12pm L 98 Reception in CA MALDEF in CA POTUS Budget Review Mtg Red-Eye from CA	13 CNN Video MEG debriefing w/ POTUS Phone Calls12-12:45 POTUS Foreign Trip Briefing	14 VP departs for Foreign Travel
15 VP in Malaysia International Day of Prayer	16 POTUS Tobacco Statement, DC VP in Malaysia	17 VP address APEC in Malaysia APEC Meeting in Malaysia	18 Mtg w/ Gov Cayetano POTUS Departs for Foreign Travel POTUS RON Tokyo, Japan VP Returns from Malaysia(2am)	19 Clark Clifford Memorial Service Crotty Swear In/Baca Mtg/Tobacco Evt Nat'l Women's Law Ctr Dinner POTUS in Tokyo, Japan	20 Mtg w/ NATO General Note: Event in Nashville honoring Pauline Gore NSA Photo POTUS in Tokyo, Japan ***W2W Message Event***	21 POTUS in Seoul, Korea POTUS RON in Seoul
22 POTUS in Seoul, Republic of Korea POTUS Hold for Foreign Travel	23 ***E Rate Message Event*** OSTP/NSF Swear In Phone Call to Nazarbayev(30min) POTUS in Guam POTUS RON in DC Steward Intvw	24 ***HUD Grants Evt at HUD*** ***Plain Language Evt*** POTUS Budget Review Mtg POTUS Down til noon POTUS Drop by Nobel Laureates Mtg POTUS SOU Mtg POTUS Turkey Presentation Ceremony	25 POTUS Day&evening Off POTUS Depart for Camp David POTUS Departure Statement Thanksgiving break Hold for Vacation	26 POTUS Day/Evening Off Thanksgiving break Thanksgiving Day	27 POTUS Day/Evening Off Thanksgiving break	28 POTUS Day/Evening Off Thanksgiving break
29 POTUS Day/Evening Off Thanksgiving break Hold for Vacation	30 Herenton Mtg POTUS Electronic Commerce Evt Working Visit w/ President Chissano of Mozambique					

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December 1998

VP Public Block: For Distribution

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6 Kennedy Center Honors POTUS Day Off WH Recpt for Kennedy Center Honors	7 Leon Staff Time POTUS Budget Review Mtg *POTUS Minimum Wage Evt* POTUS SOU Mtg(T) WH Congressional Ball	8 Hold for WH Social Security Conf POTUS Drop by Peace Links Dinner POTUS NDI Dinner in DC	9 Drop by Olympic Mtg Hold for WH Social Security Conf Leon Staff Time POTUS Holiday Receptions(2) POTUS Pagent of Peace VP Holiday Party(6:30-8pm)	10 Hold for Possible Travel Note: Althoff Retirement Reception(2pm) POTUS Budget Review Mtg *POTUS Campaign Finance Evt* POTUS Message Evt Human Rights Day	11 Hold Evening(private) Leon Staff Time POTUS Message Evt or Press Conference(T) POTUS Hold for Possible Foreign Trave	12 POTUS Depart for Foreign Travel(6am) VP Holiday Party(5-6:30/7:30-9pm)
13 Christmas in Washington(T) 5pm First night Chanukah POTUS Day Off VP Holiday Party(1-2:30/3-4:30) POTUS Hold for Possible Foreign Trave	14 Chanukah *Disability Task Force Mtg/Evt* Leon Staff Time Swear In(Castro/Montoya) VP Holiday Party(6:30-8:30pm)	15 All American Cities Event VP Holiday Party(6:30-8:30pm)	16 Community Empower. Business Roudtable(2hrs) Leon Staff Time POTUS Day/ Evening Off VP Holiday Party(6:30-8:30pm)	17 Hold for Travel(T) POTUS Budget Review Mtg *POTUS Message Evt* POTUS Special Olympics Dinner and Perf VP Holiday Party(6:30-8:30pm)	18 AR/TN Dinner, DC Leon Staff Time *Message Evt(Y2K)* POTUS Budget Review Mtg POTUS HIV/AIDS Council Mtg *USEU Summit at the WH* VP Holiday Party(5:30-7pm)	19 POTUS Day off POTUS Holiday Dinner(w/VP)
20 POTUS Holiday Reception VP Holiday Party(6:30-8pm)	21 Hold for Travel(T) *Message Evt(Y2K)* Note: First Day of Winter POTUS Holiday Press Event(T) POTUS: Pam Am 103 Anniversary Event, Arlington VP Holiday Party(6:30-8pm)	22 Leon Staff Time *POTUS Children's X-mas Evt* POTUS Holiday Reception(2)	23 POTUS Day Off POTUS Residence Staff Recpt POTUS Hold for Vacation	24 POTUS Christmas Eve Phone Calls to Troops	25 Christmas Day POTUS Day/Evening Off	26 POTUS Day/Evening Off Senator Gore B'day
27 POTUS Day/Evening Off POTUS Hold for Vacation	28	29	30	31 New Year's Eve	Jan 1999 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	

January 1999

VP Public Block: For Distribution

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	Dec 1998		Feb 1999		1 New Year's Day POTUS Hold for Vacation	2
3 POTUS Hold for Vacation	4	5	6 HOLD Day for Senate POTUS Thinker's Dinner(T)	7 Lunch w/ POTUS Sarah Gore b'day VP Down at 4pm	8 POTUS Hold for Travel	9 POTUS Hold for Travel
10 POTUS Hold for Travel POTUS in Little Rock, AR	11 POTUS Hold for Travel(T) SOU Prep(T)	12 HOLD for State Visit Life-Long Learning Summit Breakfast(T) ***Life-Long Learning Summit in DC(11-3pm)*** SOU Prep(T)	13 Israel Policy Forum Dinner in NYC SOU Prep(T)	14 International REGO Conference in DC Lunch w/ POTUS SOU Prep(T)	15 International REGO Conference in DC POTUS Hold for Possible DNC Dinner Concert(T) SOU Prep(T) MKL Jr's B-day	16
17	18 MLK Day	19 Jack Altcheson b'day ***POTUS Hold for State of Union Address(T)*** POTUS Hold for Travel(T)	20	21 Hold for Travel(T) Lunch w/ POTUS	22 Hold for Travel(T)	23
24	25	26 Pope Arrives St. Louis POTUS Papal Visit to St. Louis	27 Note: Pope departure in St. Louis(8pm) POTUS CINCS Dinner Note: US Conf of Mayors in DC	28 Hold for Possible Travel(T) Lunch w/ POTUS	29 Hold for Travel(T)	30 Hold for Travel(T)
31 Hold for Travel(T) POTUS Hold day for SOU Prep						

Dec 1998

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Feb 1999

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John P/Doug S/CFS [illegible]

11-30-98

Copied
Podesta
Sosnik
Smith

Out of shambles, strength?

Against expectations, America's two main parties will eventually emerge from the mid-term elections more united, rather than less

IT WAS far from a landslide, as numbers went; but, politically, it was stunning. With something resembling defiance, America's voters returned on November 3rd a Congress containing five more Democratic members of the House and exactly the same balance as before between the parties in the Senate. With a Democratic president, in his sixth year in office, facing impeachment by a Republican Congress, this was not supposed to happen. But even the Republicans' richly financed efforts in the last week of the campaign to whip up contempt for Mr Clinton fell flat. The voters sent a message, through his party, that they liked him and wanted him to stay.

Assessing what this means for Mr Clinton is easy: it buoys him up remarkably. What it means for his party is less clear. Across the country, candidates and voters did their best in the campaign to blur or ignore party labels. In New York, Charles Schumer won a Senate seat as a pro-death-penalty Democrat. In Florida, Jeb Bush won the governorship as a Republican reaching out to the poor. Everywhere, Republicans were billed as "moderate" (read: pro-abortion-choice), and Democrats as "conservative" (read: not for high taxes). Growing numbers of voters, especially in outdoorsy and heavily forested states, proclaimed that they were independent.

At the end of the day, too, relatively few people—about 37% of registered voters, much the same as in 1994—actually voted. The reasons for this apathy were short-term, in part. Americans in 1998 are satisfied and prosperous: the savings ratio is now negative for the first time in a generation, and third-quarter growth, at an annualised 3.3%, is still comfortably robust. Other factors, however, are much longer-term. Party affiliation has always been more tenuous in America than in Europe. The clash of ideologies is not much appreciated, still less the political log-jams that go with it. Most voters do not want partisanship: they want politicians who keep taxes low, make the streets safe and get things done. In short, to most people, party hardly matters any more.

Yet there is decidedly nothing to replace the two-party hegemony of Democrats and Republicans. Except in states like Maine, where the Independent governor, Angus King, won thunderous re-election, or Minnesota, where a hulking pro-wrestler, Jesse "The Body" Ventura, won the governor's race as a candidate vaguely attached to Ross Perot's Reform Party, there are no other parties remotely in prospect. Even if there were, they would have no money unless their founders bankrolled them privately. Anti-party mischief plays well on the hustings for all the reasons given above; but almost all candidates, whatever their pretensions, must be wired to a party money-machine like patients to a drip-feed.

As everyone now knows, the raising of such money in the 1996 elections took the party committees down some shady back-alleys. But distaste only goes so far. Those who try to rip out their money-dispensing tubes, as the Democratic Senate incumbent, Russ Feingold, did in Wisconsin, are brave and lonely figures. (Mr Feingold won, but by the skin of his teeth.) Few candidates dare either to turn down the funds or to irritate the party establishment. It is the strength of these money-machines, above everything, that ensures that campaign-finance reform is thrown out again and again in Congress, which in turn ensures that the two main parties will keep their grip on American political life.

The party system in itself has virtues; in modern America, it is always to be preferred to the alternative, which is the inherently selfish pushing of policies by lobbyists and single-issue groups. Yet the parties that approached the mid-term elections were demonstrably in a shambles, disunited and contributing very little to the progress or governance of the country. Hence the widespread public indifference. What is interesting is that, as a result of the elections, both the shambles and the indifference may now start to change.

The relieved Democrats

Start, inevitably, with the Democrats, whose despair of a few weeks ago has now been transformed into delight. Going into the elections the party was adrift, afraid to embrace the tainted president but equally afraid to condemn him. Now, suddenly, it knows which way to go; it can treat Bill Clinton as an asset again.

This warm re-embrace is crucial, and not just because he is the president. Mr Clinton is the most talented politician the party has (a man who, even this autumn, could still outflank the Republicans to get the budget he wanted), and its only visionary. For six years now—indeed for closer to ten, if one counts Mr Clinton's reforming work at the Democratic Leadership Council—the party has come to depend on his

The men who matter: Al Gore, George Bush, Jeb Bush, Dick Gephardt, Tommy Thompson

ideas of what it should be: in short, a party unafraid to befriend business, support free trade and begin to snip the apron-strings of the nanny-state.

Mr Clinton does not have a great deal to show, in legislative terms, for this bold shift to the centre. The doomed attempt to reform American health care in 1993 must now stand as the only big reform that he tried on his own initiative. The reform of welfare in 1996 and the balanced-budget agreement of 1997 came only after a strong shove from the Republicans, who in 1994 had swept Congress; and by then the president's reformist zeal had already become miniaturist, revolving round school uniforms and v-chips in computers. The tragedy of his reckless slide into possibly impeachable conduct was that his party's reformist programme capsized with him. It will hardly recover now—too late for that—but he might at least become the Democrats' leader again.

Some would say he has not quite managed that yet. He was never a politician with coat-tails, and he has never schmoozed with the congressional Democrats as, say, Lyndon Johnson did. His lack of skill in this department, combined with his shift to the centre, has given an opening to the diehard chunk of the party that never went away: the "old" Democrats, speaking for the poor, minorities, environmentalists, blue-collar workers, and all who feel threatened or left behind by the modern world. This is the rump of the party that Franklin Roosevelt made in the 1930s, committed like glue to activist government.

These people have a compelling argument: they have seen the future, they fear it, and they want government to help. Five years ago the North American Free-Trade Agreement (NAFTA) almost fell to left-wing sniping, and last year Mr Clinton's attempts to get fast-track authority for trade-agreements were wrecked by it. The old Democratic line proved so persuasive in that case that only one in four House Democrats gave the president their support.

This wing of the party, captained by Dick Gephardt, the House minority leader, has not been soothed by good economic times. On the contrary, it has seen them as a new reason to condemn the colossal inequities in American incomes and in society at large. Mr Gephardt has taken Tuesday's results as a vindication that "the people" want to be heard. He said much the same when fast-track fell. The labour unions, who contributed $37m to the party in 1996, like his stand on trade, and may well finance Mr Gephardt to some extent if he decides to run against Al Gore in the Democratic primaries in 2000.

He will probably still run, but Tuesday's results may have changed his calculations. For some time, Mr Gephardt has maintained a frosty distance between himself and Mr Clinton, even declaring in 1995 that the House Democrats were "an independent organisation". Subsequent efforts to bind them to the main party, including a meeting last July chaired by Hillary Clinton at her most soothing, failed to lead to the hoped-for *entente cordiale*. But the very people who were most motivated to vote on November 3rd to show their support for Mr Clinton were precisely "old" or "liberal" Democrats—women, Latinos, and especially blacks, who almost doubled their share of the total vote. Given that wave of sympathy, and given the strength of Al Gore's probable Republican rival, Mr Gephardt may make himself less thorny for a while. He may become, for tactical reasons, almost Clintonite.

This will give a respite to Mr Gore. The vice-president can only benefit from the boost to the fortunes of his leader, to whom he has always been linked as closely as hand to glove. After a period when he seemed as uncomfortable in his inevitable succession as Britain's Prince of Wales, he jumped rip-roaring into the last weeks of the campaign, as if he could sense the way the wind was blowing.

The Democrats will now undoubtedly begin to close ranks behind Mr Gore as Mr Clinton's heir. But this has a drawback, from Mr Gore's point of view; it makes it harder for him to be his own man. He has never offered his party a philosophy, beyond the vaguely spiritual greenness that used to be his trademark. Nor has he given much indication of how good a leader he is. He has none of Mr Clinton's consummate political talent or his ability, on occasion, to stare down awkward friends. But the plain fact is that no Democrat (not Mr Gore or Bill Bradley or Bob Kerrey, or those other time-worn names with a toe in the water) impresses as much as the man who, by his own folly, has deliberately made himself smaller than he should be.

Republicans on the rocks

In contrast to the Democrats, how do the Republicans stand? Since election day, the picture is more confusing. They have become, and remain, the majority party in the sense that matters: if America can be said to have a political complexion, this is now Republican. In the past decade, almost all the social changes that have swept America have moved it in a Republican direction. Manufacturing industry, a rich source of Democratic votes through the labour unions, has given way to the non-unionised service sector. Whole regions have moved away, too. As the South has modernised, abandoning its legacy of segregation, Republicans—once spurned as the anti-slavery party—have not only gained a foothold there, but have feasted on the region's natural conservatism. The fastest-growing parts of the country, in California and the Rocky Mountain West, are also natural Republican territory: gung-ho for development, prosperous and suburban.

Tuesday's elections do not alter that. The Republicans have very slightly lost their grip on Congress, but they still control it. Their position is even stronger at state level, where they hold 31 (previously 32) of the 50 governorships. This seems to underline their supremacy well into the future, since it is governors who will preside over the congressional redistricting that will follow the census in 2000.

For some years now, too, the more pushy and interesting political figures have come from the Republican side of the fence. The party has had momentum; it has had money, and, for a brief glorious spell, it also had ideas. In September 1994, just before the last set of mid-term elections brought a Republican landslide, Newt Gingrich presented his "Contract with America": a list of ten policies which, he promised, would get through the House within 100 days. Amazingly, most of them did, and even got further. The shell-shocked Democrats found themselves agreeing to deregulation, devolution of power to the states, the loss of congressional perks, and the wholesale re-arranging both of federal subsidies to farmers and welfare payments to the poor.

Last Tuesday, however, nothing of this fervour remained. The Contract died long ago, and nothing has succeeded it. The Republicans assumed that Americans backed their revolution, when the vote of 1994 was really a slap at the Clinton Democrats; and they were stalled by their own arrogance, which reached its apogee when they shut down the government in the winter of 1995 rather than compromise over the budget. Since then, though they have held their slim majorities, they have lacked the legislative skill to do much with them against a Democratic president. As Mr Gingrich told the *Washington Post* recently, Republican leaders are still "learning to govern".

Mr Gingrich himself, reviled by the public and almost the victim of an internal party coup against his speakership in 1997, has still not recovered, and Tuesday has made it worse. The once-brilliant leader is now mocked not just for being clumsy over the budget and allowing Democrats the advantage, but for misreading the popular mood and calling the election wrong.

There are curious parallels here with the Democrats. The one Republican who could be called a visionary, whose eyes are fixed on a future Utopia and how to get there, has been weakened by his own folly. Mr Gingrich has his batty side, and it is not clear what his new idea, "21st-century Reaganism", really adds up to, beyond an assertive foreign policy and lots more computers. But he gave his party, for a while, a blistering coherence, and that has disappeared.

Political pundits think Mr Gingrich, who has a formidable money-raising machine, may just possibly recast himself and run in 2000; but his congressional troops will be harder to reassemble. Their shoulder-to-shoulder unity on the various inquiries into the president's conduct, culminating with the inquiry into impeachment, looks all the more vindictive because the party is divided on so much else.

The internationalist Mr Gingrich (and, to a lesser extent, the more parochial southerners, Trent Lott and Dick Armey, who lead the Republicans in the Senate and the House) are still bothered by the wilder elements who came into the House with the landslide of 1994. These Republicans—now revelling in the acronym CATS, for Conservative Action Team, and centred round David McIntosh of Indiana—have not forgotten the Contract and, especially, the moral dimension it was meant to have. In small print at the bottom of the list were limits on abortion, support for prayer in schools and—ever since the appearance of Mr Starr—a crusade against the nationwide depravity represented by the president.

Tuesday's results have been a decided slap in the face for that crusade. Highly motivated conservative voters were balanced, to say the least, by highly motivated Democrats. The public, which has already told pollsters overwhelmingly that it does not want special prosecutors to be preachers, does not want its politicians to be preachers, either. Most Americans want abortion to stay legal. Most prefer, too, to keep intact the wall the constitution has carefully erected between church and state. And most think their sinning president should be left alone.

Every Republican nominee for president, down to Bob Dole in 1996, has struggled to incorporate the moralistic wing of the party into some notional "big tent" where all opinions are ostensibly respected. It is bound to do so, it supposes, because of their legions of supporters outside Congress. Randy Tate's Christian Coalition, Gary Bauer's Family Research Council, Jim Dobson's Focus on the Family, are pressure groups the party hates to alienate, even if they have nowhere else to go. Every time Mr Dobson threatens to flounce out of the party and take his people with him (as he last did in February), the leaders must scramble to soothe him.

Yet they know now, for sure, that it is just as dangerous to pander to these groups. Even throwing tiny bones in their direction (as when Mr Lott, in June, called homosexuality "a sin") gets them into instant trouble with the great mass of voters who are tolerant sorts. There have been strong signs, too, that the more the Republican Party appears to be led by the nose by the religious right, the more businessmen become unhappy. On China policy, for example, corporations were astonished that the right cared more to make a point against religious persecution than to secure open trade. It would be a disaster for the party if business hands stayed in pockets. But the right is now so furious with the party leaders' mistakes that they will now be more disruptive than ever.

There is also another problem to face: the cavalier way in which the Republican Party has ignored or even antagonised the fast-growing Latino electorate. Latinos, whose self-reliance and old-fashioned morality would seem to make them natural Republicans, have been enraged by Republican support for anti-immigrant proposals, both locally and in Congress.

Mr Gingrich, sensing the drift, began last year to soft-pedal his party's bids to restrict immigration and end job preferences based on race. Several Republican candidates started Spanish lessons, and governors in heavily Latino places (especially the Bush brothers, George and Jeb, in Texas and Florida) made pitches for the Latino vote. This worked in both states, with both Bush brothers winning handsomely on Tuesday; but it made no difference in the most vital contest, the governor's race in California, where two-thirds of registered Latino voters are now Democrats. There, the Republican lost. Once again, the Republicans' hubris has come back to haunt them. They are indeed still learning, and sometimes they learn too late.

The country's colour State governorships

Shouting in a vacuum

It is strange, but no accident, that most discussion of the present state of the parties ends up by focusing on the most disaffected sectors. These are the parts that make the noise and provide the colour against the vapid centrism of everyone else. But, with their essentially backward-looking ideas, they also keep Congress in an ideological log-jam in which little gets done. If, for different reasons, the parties begin to unite and present themselves more positively, matters might improve.

In recent years, the parties have occasionally borrowed useful ideas from each other and have even managed that American idyll, bipartisanship. Indeed, the distinctions between the parties have been blurring for a decade or so. President George Bush's brand of Republicanism was advertised as "kinder and gentler", caring about the little man; Mr Clinton's version of the Democratic credo stressed fiscal responsibility and a certain social hard-heartedness. Even the Gingrich eruption inspired, in the end, yet more cross-dressing. Its apotheosis came in the agreement, last year, to balance the federal budget; an

agreement made easier for both sides by soaring tax revenues as the economy boomed.

Yet this was almost all the last Congress produced. Old partisan habits meant that, on most issues, the parties took up their routine positions: in favour of spending the budget surplus on a tax cut (Republicans), or for using it to save Social Security (Democrats); against school vouchers (Democrats), or for them (Republicans). Policies which require a certain amount of open-mindedness, or which might be hard to explain in 30-second sound-bites to voters, seem to sink in bipartisan indifference. This is what happened to the attempt to reach agreement with the tobacco companies over lawsuits against them; and it is what happened, almost needless to say, over campaign-finance reform.

Hope from the states

Debate did not simply evaporate because Mr Clinton was distracted, though that did not help. The parties were distracted, too. Their job—as they have seen it in recent years—is not to tease out policy, no matter how much the think-tanks on both sides ply them with studies. Their job is to raise money continuously and on a vast scale to make sure their candidates are kept in, or pushed into, power.

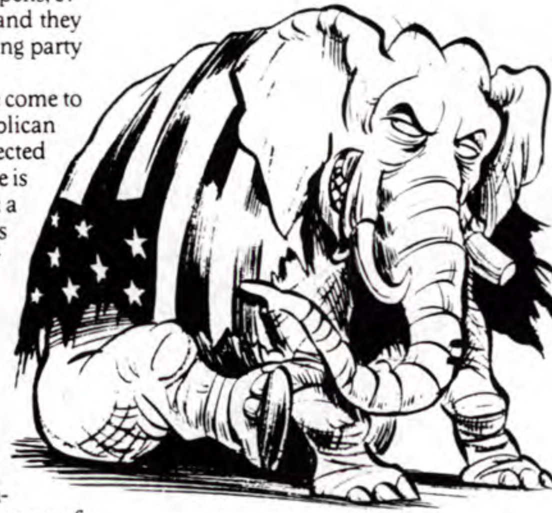
So, given that this remains their job, whom will the parties push into power next? The answer is more encouraging than recent history, with its record of carefully packaged and anodyne presidential candidates, might suggest. Increasingly, iconoclastic governors are the men to watch. Most presidential campaigns contain a governor or two, and they have often been the victors in recent years; but the present crop is different. They have more power than their predecessors, because of the devolution of social services that followed the 1994 Republican sweep; and they have more money, because the economic boom has filled their tax coffers. As it happens, every one of them is a Republican: and they may offer precisely what the warring party needs.

The man on whom hopes have come to rest is George Bush Jr, the Republican governor of Texas, who was re-elected on Tuesday with 69% of the vote. He is a pretty mild version of the breed: a man who is judged, and who sees himself, less as a great reformer than a unifier of factions. But that is good enough. Mr Bush has proved to have tremendous coattails; so tremendous, that the Republicans won every statewide race. He has a famous name, and he has—at least on his Texas showing, all cowboy boots and drawl—a large dose of that essential ingredient, charisma. Money pours after him.

Yet he is merely the most-marketable tip of Republican talent from the states and cities. Consider Tommy Thompson, the governor of Wisconsin, a pioneer both in reforming welfare and streamlining government services; brother Jeb in Florida, with his new, caring brand of Republicanism; Tom Ridge of Pennsylvania, who has slashed business taxes; and—among the mayors—New York's Rudolph Giuliani, who has revelled in iconoclasm and showmanship as he has cut crime and cleaned up the city. The energy of the Gingrich revolution, which has so notably drained out of Congress, still survives at state level; and it is this that has given America much of its present Republican colouring.

But here lies the irony. Voters overwhelmingly vote for these men not because they are Republican, but because they get things done. If a governor cuts taxes, draws investment and makes the schools better, it does not matter what his affiliation is, just as it does not matter what his race is. These men in their domains—unlike the self-proclaimed "free spirits" among the congressional candidates, who tend slavishly to vote with their party once they get to Washington—can seize or borrow any policy they choose, pursue any group of voters they think useful, and have no philosophy at all except what they like and what works. Their wholehearted pragmatism also means that they either have little time for the party's more moralistic policies, or give them a gentler cast.

This independence can cause occasional heartburn to the party power-brokers. They do not know quite what these local Republicans are up to, and are clearly afraid that on some issues, such as education reform, they are getting way ahead of them. For their part, the Republican governors have not forgotten how the congressional party has blown hot and cold on block grants to the states to fund social ser-



vices. But the devolution of power to the states is not to be reversed, unless a deep recession drives the governors back into Washington's arms. The party therefore has to make an uncharacteristic leap of faith: it can have its highly attractive Mr Fixit candidates, while accepting that they appeal directly to the voters' dislike of partisanship and the party machines.

But here an intriguing paradox emerges. That same Mr Fixit, if he can get past residual suspicions, may end up uniting his disparate party behind him as he has previously united his state. A George Bush, indifferent as he may appear to political labels, makes his party stronger.

The challenge, now that the elections have suggested greater cohesion among both Democrats and Republicans, will be for stronger parties to produce strong agendas and productive ideas. Eyes are turning eagerly to the prospect of Bush v Gore: the new outsider and the old insider, two potential soothers of party factions who lead their rivals by miles—but who are not noted for their thinking. All that remains, if America is to enter the 21st century with a two-party system that actually works, is for them to find the ideas that will inspire their factions to unite rather than fight.

11-30-98

Color Codes

Moving beyond Clinton's race initiative means facing a Black–White reality and building bridges

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BY MARY FRANCES BERRY

PRESIDENT BILL CLINTON'S YEARLONG RACE INITIATIVE was a political success, but it did not deal with the fundamental issues. It missed the central crisis in U.S. racial tensions, rooted in the four–centuries–old interactions between Blacks and Whites. This long experience affects the progress of not just African–Americans, but other people of color, as well.

"Taking America's Pulse," a recent poll by the National Conference, a human relations organization, found that people of color share negative attitudes toward Whites but they express even more bigoted views toward each other than Whites do. These attitudes, evolving from the long–term effects of color consciousness, cause conflict between and among people of color and Whites along the rapidly moving color line. The origins of color consciousness and its pervasiveness as a tool of subordination explains why ending racism against African–Americans should be a goal of anyone interested in eradicating racism for everyone.

The president was right to use the prestige of his office to start the initiative. Any effort to end the United States' racial conflict should be applauded. The initiative did increase conversations about race, aired anti–prejudice public service announcements, and produced a report of accomplishments and recommendations to the president titled, "One America in the 21st Century." However, the One America dialogues drew, for the most part, not heated discussion from dissonant voices, but the already converted. The recommendations, as it turned out, were mostly recycled and repackaged Clinton policy proposals on work

ILLUSTRATION: JOSH GOSFIELD FOR EMERGE

and education, and pleas for more funding for civil rights enforcement, which all were ignored by the Republican Congress.

When commissions and boards make history, it has little to do with the specificity of their recommendations, but whether they reflect the temper of the times and set the tone of debate for years to come. The Truman 1946 Committee on Civil Rights did this by so committing the Democratic Party to civil rights for African-Americans that one almost immediate result was a Dixiecrat walkout to support Strom Thurmond (R–S.C.) for president in 1948. The Kerner Commission explained how we became two nations, one Black and one White, and placed on the agenda for a generation, gap–closing government programs and private sector activities to tear down the walls between those nations.

If there is any overriding theme in the report from the Advisory Board to the President's Initiative on Race, it is that African-Americans are just another group of "colored people" with no special place in the pantheon of those who have suffered from subordination, and are at the periphery of discussion. The report's focus presents both opportunities and problems for African-Americans.

The limited treatment of African-Americans is ironic given the enduring joblessness and poverty in the poorest Black communities. It also is ironic because Black people form the most reliable voting constituency for the president's party. Furthermore, the chair of the Advisory Board, John Hope Franklin; the staff executive director, Judith Winston; and Harvard scholar Christopher Edley Jr., who was tasked to help write Clinton's reactions to the initiative to the American people, are all African-American.

The de-emphasis on African-American concerns is curious for other reasons. It accords with changing demographics, but also the work of a long line of Black conservatives, including Thomas Sowell, the "Clarences" — Pendleton and Thomas — Robert L. Woodson, Shelby Steele and Johnny-come-lately Ward Connerly. They successfully echoed White conservative and neo-liberal claims that racism has little or nothing to do with problems of upward mobility that African-Americans experience. African-Americans have not been in vogue in policy discussions for quite some time, except for self-help projects and admonitions to be responsible, no matter how responsible we believe we already are being. The important concerns of responsible fatherhood, motherhood and childhood comprise the policy agenda devoted to African-Americans. Racial biases in housing, employment, health care and other fields that constrain the ability to be "responsible" no longer attract serious policy interest. The federal courts are practically closed to us by hostile Reagan- and Bush-appointed judges. Victory has been declared and the guns spiked. Foundations and politicians have moved on.

In any discussion about racism, beyond a brutal murder such as what occurred in Jasper County, Texas, the predicament of African-Americans risks being rejected as insignificant or a case of special pleading. We may be concerned about DWB, driving while Black, or being black jelly beans in a jar, but politicians and the public are only sporadically interested at best. Just as the Kerner report caused private institutions, including the media, to become more inclusive of Black people, the Clinton initiative gives the seal of approval to a shift in focus to emphasize the inclusion of anyone but African-Americans in well-paying jobs, entrepreneurship and educational opportunities, since Black people have had "their turn."

The increasing conflict between and among people of color in Los Angeles is one version of our future. As Ron Wakabayashi, executive director of the Los Angeles County Commission on Human Relations, said in an article in *The Washington Post*, "Politicians like to say that diversity is our greatest strength. That is b.s. Diversity simply is. The core question is how do we extract its assets while minimizing its liabilities?" Unless we are careful, instead of cementing coalition politics, different groups of minorities and poor Whites will be pitted each against the other, fighting over crumbs while well-off White America continues to feast at the table. The proof of the pudding will be in the eating.

Any discussion of race is necessarily tricky, especially in a multiracial society, but the management problems that plagued the president's initiative from the beginning were almost fatal. There was the frightened "deer in the headlights" reaction to the blindsiding by Connerly and other conservatives early in the process. Also, the board seemed unable to articulate positions on contentious issues, or to control the media message and spin on its endeavor. It also faced public disinterest in the dialogues unless the president was involved or the subject was a protest by some groups or persons claiming they had been excluded. Then the protesters attracted more attention than they would have if they had been participants in the first place.

The race initiative became useful politically to the president as he became entangled in the Lewinsky-Starr crisis. The African-American elites gathered at Martha's Vineyard who stood up for him on the anniversary of the 1963 March on Washington, cited the initiative as one of his accomplishments. The Vineyard vacationers' support was in accord with the 94 percent of African-Americans who approved of Clinton in the darkest days of his travails when only 60 percent of Whites did. Black America knew that Clinton was the first president to acknowledge publicly that one of his best friends was a Black man, Vernon E. Jordan Jr. Besides, rumors of Clinton's sexual escapades have long evoked high-fives in African-American barbershops across the land.

Perhaps the political context of the initiative led to the treatment of people of color as if they were the targets of a political campaign. On the campaign trail, politicians join Mexican-American and Chicano communities at a Cinco de Mayo festival, where they eat burritos and speak a few words of Spanish; go to a Black church on Sunday and preach, or speak after the sermon, and eat

Unless we are careful, different groups of minorities and poor Whites will be pitted against the other, fighting over crumbs.

sweet potato pie; then they're off to celebrate Chinese New Year in Chinatown and march in the St. Patrick's Day parade. This approach may win votes, but it is not the stuff of which reconciliation and racial unity are made.

Perhaps the media characterization of the Advisory Board as being in conflict over whether it was for or against a dead-end dichotomy of discussing Blacks and Whites, or discussing other people of color and Whites, interfered with consideration of the hard issues. I can understand the difficulty. When I tried to explain why focusing on the long history of interactions between Blacks and Whites is necessary to understand racism in general, I was widely misinterpreted as being only interested in African-Americans instead of other people of color [see ***Emerge***, September 1997]. Defensiveness may have led the initiative to discuss African-American problems as historical, thus minimizing the present-day impact of long-standing Black and White interactions on everyone, including other people of color.

Our experiences of interactions between African-Americans and Whites are at the heart of our nation's racial woes. They provide a vantage point for understanding that the essence of racism is color consciousness, which serves as a marker for social and economic inequality. Whenever Europeans have encountered darker people, this phenomenon has existed, and it continues to influence race relations, economic opportunity, and how we see ourselves and how others see us. Among American Indians, redness serves as a marker of conquered status, targets for extermination and subordination. As a consequence, the Indian use of tribal sovereignty to profit from casinos or to maintain fishing rights is necessarily unpalatable to those Whites who see them as becoming empowered and, therefore, accuse Indians of wanting "special rights." Among African-Americans, blackness has marked our status as inferior from the beginning.

In Latin American and Caribbean countries with large Black and/or Indian populations, a fair-skinned elite perpetuated by race-mixing or immigration has always run things, and darker people are poorer and discriminated against. Deference to White privilege is also a well-known phenomenon in Asian societies. Among Hispanics or Latinos and Asian Americans in the United States, the darker ones are generally the most subordinated and deprived and the least likely to be literate in English. They may not be literate even in their own indigenous languages.

Scholars, including David R. Roediger in *The Wages of Whiteness* and Noel Ignatiev in *How the Irish Became White*, have explained how color consciousness has played out among every group to live in this country. They discuss the phenomenon of how immigrants from Europe overcame powerlessness to become White and distance themselves from blackness. Camille Cosby's discussion of how Mikhail Markhasev, who was convicted of murdering her son, Ennis, was infected with racism needs only one modification: to point out that the virus is so pervasive that immigrants may be infected whether their native country has a Black population or not.

Becoming White means distancing one's self from blackness, which means overcoming inequality, legal exclusion, and moving up the political and economic ladder from powerlessness. African-Americans as the quintessential purveyors of blackness find it difficult to make the leap. Individuals such as Michael Jordan and Sammy Sosa, who is Dominican, are exceptions because of their celebrated achievements. They prove the rule. They can come closer to White privilege and more easily transcend color boundaries and avoid some of the burden of race.

By discussing people of color without fuller analysis of the roots of color consciousness and its consequences, the race initiative has made it necessary for the rest of us to do some hard analytical work. We must construct joint efforts to achieve specific proposals and launch a unified attack on color consciousness. Our efforts in the policy arena will be affected by how people will identify themselves given rates of intermarriage and line-crossing and the permission to use more than one racial designation in the census. Just as Tiger Woods defines himself as Cablinasian, many African-Americans could define themselves as Cablaindian, a composite of African, Caucasian and slaveholder and Indian ancestry. Any analysis of color consciousness also necessarily requires inclusion of the impact of gender roles, language, religion and class.

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Understanding the perpetuation of color consciousness can help us figure out how to address disparities in social and economic opportunity. It also can help us avoid policies that will worsen the inequality marked by color, which solidifies class distinctions within communities of people of color. Getting our share for any group must include leaving no person behind in the chance for opportunity. It requires understanding the role color — and its extreme signifiers, Black and White — plays in undergirding inequality, not only in the United States, but globally. Otherwise, we unfairly reduce the chances for everyone to become productive citizens and consign them to deprivation and dependency.

In important ways, the president's initiative on race tells us how retrograde are the times. It takes us back to Gunnar Myrdal's *An American Dilemma*, published in 1944. Finding a raging conflict between the American creed of democracy and racism, Myrdal ratified an approach that greatly emphasized the role of educating Americans about race, getting the facts straight and making clear that racism is a moral issue. He concluded that if the nation became educated enough to practice its creed, then the problem of race would dissipate to the benefit of everyone. We apparently are again defining the issue as the need to educate Americans about race, but this time about Indians, Asian Americans, Latinos and African-Americans, without acknowledging the diversity of their experiences.

However, the future sometimes has in store the unexpected. *An American Dilemma* did not even recognize the importance of contemporary events such as A. Philip Randolph's March on Washington, the African–American Don't Buy Where You Can't Work campaigns and the burgeoning opposition that later erupted in the Montgomery Bus Boycott and the Civil Rights Movement. Similarly, as we ponder the future of One America, the race initiative has not considered the meaning of the Million Man March leading to the Million Woman March, the Black Radical Congress, the two youth marches, the disinterest in mainstream politics and the alienation and separatist focus in much of Black America.

But the president's attention to issues of race has gone beyond the race initiative. In addition to comfortably socializing with African–Americans, he has used patronage to make diverse appointments of Asian Americans, Latinos and African–Americans. For Blacks, he has gone well beyond the traditional civil rights or poverty policy jobs. But an important question for the Black community to ask is: How much difference have the appointments made in improving opportunities for the majority of African–Americans or other people of color?

In his hope to make change in a time of no major civil upheaval around race, the president sought to go against history. As surely historian John Hope Franklin has told him, the country only deals seriously with race when there is a disruptive crisis, a Civil Rights Movement or riots, because the country doesn't want to deal seriously with race. The limitations of the initiative underscore this truth.

We have hard realities to face within the Black community: finding ways to improve K–12 education, to amass capital and increase entrepreneurship, to improve health care, which should include confronting the scourge of AIDS, and to step up efforts to provide opportunity generally for poor African–Americans. The courts continue to mangle civil rights measures targeted toward Black America, and the president has not appointed enough judges to change their direction.

The college–going rates of African–Americans in predominantly White public institutions that have ended affirmative action and in Southern Black public colleges, which have been forced to change their admissions requirements, have declined. The attacks on affirmative action, and the hypocrisy of state maintenance of inferior public education in predominantly Black schools, while imposing admission requirements in public colleges that they know students cannot meet, amounts to a pincers movement against Black education. Soon, we will go back to the old days when African–Americans could only attend private Black colleges and a few White private institutions, while paying taxes to support state public higher education from which they were excluded.

Clinton deserves praise for developing his race initiative. As countless Civil Rights Commission reports have shown, there is no substitute for presidential leadership.

However, if we want to keep race and social and economic inequality on the frontburner, we must, in coalition with others who have similar goals, act to make neglect impossible. We must acknowledge the role color plays in outcomes between Blacks and Whites, and outcomes between people of different colors within the Asian American and Latino communities. We also must reject all efforts to pit one group against the other, which with changing demographics will become an irresistible temptation for some politicians. The race initiative missed these connections, but our future depends on understanding them. ■

World View

The United States is under pressure to practice the human rights principles it preaches to other nations.

Amnesty International, the world's premier human rights organization and recipient of the 1977 Nobel Peace Prize, is sponsoring a yearlong campaign to spotlight human rights violations in the United States. The group has monitored abuses in the United States since the 1960s, but the 1999 campaign is Amnesty's first effort to focus worldwide attention on U.S. violations. Police brutality, prison conditions, the death penalty and the treatment of asylum seekers are its priorities. It also wants the United States to ratify without reservation certain international treaties, including the Convention on the Rights of the Child, and to monitor better its foreign weapons sales. Amnesty has issued a special U.S. report. Its secretary general, Pierre Sané, based in London, is primary spokesman for the group, which has one million members, 300,000 of them in the United States. Sané, a native of Dakar, Senegal, has pursued doctoral studies at Carleton University in Ottawa, Canada, and has a master's of science degree in public administration and public policy from the London School of Economics. He joined Amnesty International in 1988, and was appointed its secretary general four years later.

EMERGE: The United States promotes itself as a pillar of democracy and human rights, but obviously Amnesty International begs to differ. Why?

SANE´: What we have documented in our research, and this is over the years — since the first 17 reports that we have issued — there have been a number of violations in this country. Our concern now is that there is a deterioration of the human rights condition. The United States has the highest incarceration rate in the world, 1.7 million prisoners, 79,624 women. And those numbers have really rocketed since the '80s. The death penalty is used more and more frequently, with less and less mercy. Juvenile offenders are executed. Mentally ill people are executed. And the conditions in the prisons are deteriorating because of the

overcrowding. We find cells which have vermin. And this overcrowding is leading also to violence of inmates on inmates, and guards failing to protect inmates from violence, but also violence by the guards themselves — physical assaults, sexual assaults on women. The increasing use of technology, stun belts, the tasers, stun guns, the OC [pepper] spray, all of that is on the increase.

We are concerned that there is a sort of complacency. Because this country prides itself on being the land of liberty, the land of democracy, people believe that these things may be happening but they are isolated incidents, and it is not as bad as everyone says. And that complacency, coupled with the legitimate concern of the population for safety, the legitimate concern of the population for the spread of the use of drugs, etc., is manipulated by politicians. So this complacency and the context is further eroding human rights protection in the United States.

EMERGE: What will the campaign consist of?

SANÉ: Throughout the year, members of Amnesty International will be engaging in an awareness–raising campaign. The first thing is to make sure that people get the information. Secondly, we want other governments, we want intergovernmental bodies to fulfill their obligations to the American people.

I'm going to Mexico. I'll be meeting with the secretary of foreign affairs [Rosario Green] tomorrow, and I'll say to her, 'When you visit the United States, when you meet with your counterpart, you should raise your concerns regarding the deteriorating human rights situation in the United States.'

So we want other governments to challenge the U.S. government to put its house in order. Our members will also be targeting Congress, targeting state governors, targeting police chiefs, writing letters, expressing concerns.

EMERGE: What's your sense of the United States' image internationally?

SANÉ: I think that in general people would certainly agree that the United States uses double standards. I mean, you go to the Middle East, people will often discuss the way the U.S. deals with Israel on the one hand and with Iraq on the other hand, in terms of the implementation of the U.N. resolutions. Clearly, people there resent this.... When it comes to Western Europe — the continued use of the death penalty, especially the use of the death penalty against juvenile offenders, against mentally impaired people — people find it shocking, find it shocking that the United States is the only Western industrialized country that continues to use the death penalty.

In many countries in Asia, there is a resistance to human rights because they perceive that the United States is instrumentalizing human rights for other purposes, not necessarily or really out of concern for the well–being of the Chinese people, out of concern for the well–being of the Malaysian people. They say, 'Why should the United States have concerns regarding the treatment of prisoners in China when its own prisoners in the United States are treated in this way?' They believe that it is totally hypocritical. So I think that the image really is changing, and it is also changing through the life experiences of asylum seekers, who, fleeing persecution, come to what they believe is the land of freedom and find themselves locked up in jail. For many, many in this country, the promise of equal rights for all is still a fake promise.

EMERGE: In terms of asylum seekers, is there a difference of treatment based on where they come from and their race?

SANÉ: It is so blatant. As long as the asylum seekers were coming from Russia and communist states, they were welcome in this country because it was the U.S. using it to show the superiority of the country, with people fleeing dictatorships. The same people are fleeing the same dictatorships, but they are coming from Latin America, they're coming from Africa, they're coming from Asia. Why they are seeking asylum here are exactly the same reasons that led people from Eastern Europe to seek asylum here. Instead of being protected and granted the level of protection that they are entitled to under international law, they are treated like criminals. And they are treated like criminals because they are Black, they are Hispanic, they are Asian. The thread throughout this report is race.... It's poverty.

EMERGE: Can you elaborate?

SANÉ: Take for instance the death penalty. What we show in this report is that you are more likely to face the death penalty if the victim is White. Actually, we have the statistics...84 percent of all capital cases involve White victims. [Only 50 percent of murder victims are White, according to the Death Penalty Info Center in Washington, D.C.] So the value that is given to White life is more than the value that is given to the life of people from other racial groups.

The Black population, compared to its total percentage, is overrepresented on death row. And I have visited death row in Texas; I've visited death row in Pittsburgh. I know that there is no millionaire on death row. You end up on death row, in large part, because legal representation is totally inadequate, and those are people who are fighting for their lives. But they don't have the means to have adequate legal representation. Then they end up being sentenced to death. So poverty and being Black, you are at risk in this country.

Police brutality, the primary targets of police brutality are members of ethnic communities, like you showed in your own research. We have statements from the police officers. One police officer was asked, 'How do you describe a suspect?' He said, 'A young Black male in a White neighborhood.' That's the profiling of the criminal suspects. Or there is a reference to driving while Black.

What you can see throughout this report is that really the legacy of slavery, the legacy of slaughtering of Native Americans, the legacy of oppression of the workers, all that historical legacy continues to be lived through the criminal justice system or the prison system.

EMERGE: Is it possible to deal with human rights without eradicating racism and poverty?

SANÉ: We believe that the best way to eliminate racism, the best way to eliminate poverty is to ensure the full respect of all human rights. When you read the Universal Declaration of Human Rights — which contains the set of rights that are guaranteed to everyone and that governments have an obligation to meet — if governments were meeting those obligations, you would not have racism. If governments were meeting those obligations, then the level of poverty would certainly be reduced. So human rights, we see that as not just a way to preserve peace and ensure justice, but also as a way that helps heal nations and improve interactions among members in just societies.

EMERGE: There are some critics who say that your organization is virtually all White.

SANÉ: Amnesty is predominately White liberals, and we want to make specific efforts to ensure that this organization will become in the United States multicultural and reflect more the ethnic composition. So that is one goal. But to attract people, you also have to be seen to be relevant to their concerns; and we are addressing issues such as police brutality, addressing issues such as the death penalty to show that we are taking aboard the concerns that minority communities have in the country.

EMERGE: The United States is strident about autonomy — U.S. law, for example, versus international law. What's been the reception on this question?

SANÉ: When Congress admonishes Turkey and Colombia or Cuba, etc., it does it on the basis of international human rights law. When the State Department publishes every year their annual reports on the state of human rights around the world, they don't do it using the national legislation of a country. They do it using the international treaties that exist, in terms of human rights protection. Secondly, international human rights law is not developed out there by the rest of the world. The most powerful force in the development of international human rights law is the United States of America. It's the United States that chaired the committee that drafted the Universal Declaration of Human Rights [in 1948].

It's the United States that took the lead in the establishment of the International Tribunal at Nuremberg. So the United States has been the lead actor in the development of international law, in terms of human rights or in terms of various other areas of dominant thought. So the United States participates, influences. It's very difficult to develop standards when the U.S. opposes it and uses its influence to twist the arms of many of its allies. So these treaties are developed by consensus. And once they're developed, then the United States uses these treaties as a yard stick against which they judge others. The United States cannot be above the law, it cannot be above international law. So what we're asking the United States is to be a responsible member of the international community, and to explain to the Americans that international human rights law takes precedence over government laws.

EMERGE: What are some of the particular violations of the United States?

SANÉ: The Convention on the Rights of the child, prohibits explicitly the execution of juvenile offenders. The execution of children in the Convention on the Rights of the Child are defined as young persons under the age of 18. And those children require special protection. Now when they commit a crime like this, that convention reads that they should not be executed for that crime. Now when the U.S. does that, it is in breach of the convention. Actually in the world, there are only six countries that since 1990 have executed juveniles. Iran, Saudi Arabia, Yemen, Pakistan, Nigeria and the United States. That is the six. So that's the company the United States keeps in terms of standards of decency.

EMERGE: Amnesty is also concerned about the treatment of prisoners, and there are some issues in particular about women?

SANÉ: Yes, and I find it shocking. I read the report a couple of weeks ago, and I met yesterday a woman from Chicago who gave a testimony about how she was shackled in leg irons when transported from prison to the hospital to give birth. And she was shackled during labor for 7 1/2 hours. I couldn't believe it.

I can't understand the logic of the system that shackles women while they are giving birth. I can understand that some prisoners may be dangerous and you need to protect others and protect the prisoners also from harming themselves. But a woman who is giving birth cannot be thinking about trying to escape or harming themselves. Why should she be contained in shackles? And it is not just one incident. There are women that give birth in prison every year.

EMERGE: What are some of Amnesty's recommendations for dealing with these issues?

SANÉ: One is to increase police accountability by ensuring that we have effective methods of oversight. The second one is to develop and enforce standards concerning the treatment of prisoners nationally. Banning the use of the stun belts.... We need to ban that and to do serious research into the effects of the OC spray and how it is used. There's no reason to throw [asylum seekers] in jail; these are not criminals.

The death penalty, obviously we want to abolish it, but we think that in the meantime, juveniles should not be executed. Mentally impaired people should not be executed, and resources should be provided for legal aid for the impotent. People who are fighting for their lives in the courts have the worst legal conditions; that's totally unfair. ■

Scrap the space station

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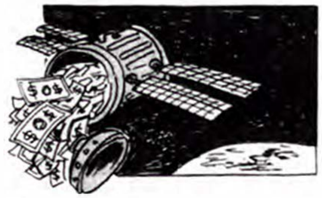

Cancelling the International Space Station would make it possible to adopt a more rational approach to space flight

IT HAS taken 14 years to move from drawing-board to launch-pad. Along the way, supporters of the International Space Station have tried and discarded various justifications: an orbiting factory, a demonstration of American technological supremacy, a staging-post on the way to Mars and, most recently, an exemplar of international co-operation in space. With Russia's contribution to the project fast dwindling to nothing, the station is now losing even symbolic value. Since it has never had much scientific value (see page 92), should it be going ahead at all?

The answer is no. Almost the only reason for building the space station now is to keep America's astronauts busy. Yet, with over $20 billion spent already, and with every likelihood that Russia's troubles will delay the construction schedule again, America's space agency, NASA, is desperate to put bits of the space station into orbit merely to make the project seem unstoppable. The first bit goes up next week.

Squeezing out the lemon

Even once construction has started, it will not be too late to abandon the project. It will merely be more embarrassing. The space station already looks like a lemon; but the delays and cost overruns will get worse as the cash-strapped Russian space agency squeezes more money out of NASA, forcing NASA to squeeze more out of Congress. Even the station's supporters are exasperated by the constant demands for more cash; its critics reckon they are being held to ransom by the Russians. (In the latest twist, Russian nationalists are calling for *Mir*, the Russian space station, to continue in operation, which would further reduce the chances of Russia paying towards the international one.) And while bailing out the Russians will be expensive, deciding to do without them would require even costlier redesigns and delays.

Either way, designing, building and operating the international space station is likely to cost more than the current best guess of $100 billion in all. And even that figure is based on the assumption that none of the 75 launches required for its construction goes wrong—something that is, statistically, extremely unlikely.

So NASA will spend the next few years defending a project that is the very antithesis of its "faster, better, cheaper" strategy, which involves placing more emphasis on blue-sky research and partnerships with private enterprise, and less on the expensive business of maintaining expensive hardware in space. This new approach has already achieved some notable scientific successes, such as the *Pathfinder* mission (which sent a robotic rover to Mars last year for a mere $266m) and the *Clementine* probe (which cost $75m, and found evidence of ice on the Moon). A programme to develop a faster, better, cheaper replacement for the space shuttle is also under way.

The glaring odd man out is the space station, which has steadily got later, worse, more expensive and more pointless. By draining funds from other programmes, and tying up shuttle capacity, the space station is impeding research—and it is exactly the sort of expensive infrastructure programme that NASA is supposed to be moving away from.

Abandoning the space station now would certainly be painful. But it would save at least $30 billion, and probably more. And it would complete NASA's transformation into a leaner and more responsive organisation, better able to concentrate on its main objectives of research and helping to catalyse the gradual privatisation of the space industry. Already, a bunch of pioneering private companies is waiting in the wings to begin a new era of commercial space exploration and exploitation. It would be a shame if, instead of looking forward, NASA persisted with building castles in the sky.

Iraq's defiance cannot stand

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When diplomacy is exhausted, force is all that is left

IS HISTORY about to repeat itself, with tragic consequences, in Iraq? After more than seven years of cunningly exploiting the ceasefire that ended the Gulf war—and the growing divisions in the UN Security Council—Saddam Hussein looks set to snatch another military defeat from the jaws of what looked like a diplomatic victory in his battle over UN weapons inspections in Iraq. Defiantly ending all co-operation with Unscom, the special commission whose job it is to strip Iraq of its weapons of mass destruction and the means of making or delivering them, Mr Hussein has thrown down his biggest challenge yet to the council. But patience with him, even among his erstwhile supporters, is all but exhausted.

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s … and-cuffs that Unscom's inspections had clamped on him. Yet his latest defiance has now united the Security Council against him.

So is diplomacy, backed by Unscom's inspections, now a spent force? And if so, would force itself be able to contain the

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The Economist

NOVEMBER 14TH 1998

Gene S
Something to their negative savings (bottom line)

The world's forgotten danger

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"I'M FOREVER blowing bubbles, pretty bubbles in the air. They fly so high, nearly reach the sky, then like my dreams they fade and die..." American investors and consumers would be wise to heed the old song: the stockmarket bubble that has lifted the prosperity of many Americans beyond their wildest dreams is, sooner or later, going to end. In the past four years, soaring share prices and easy credit have sent consumers and businesses on a spending binge. Their excesses now leave America's economy vulnerable to a sharp slowdown—and maybe even to a recession.

Regular readers will recall that this is not the first time *The Economist* has fretted about America's bubble economy. In April we suggested that there were worrying signs of an asset-price bubble in the United States: soaring share prices, a frothy property market and excessive monetary growth. Some air was let out of Wall Street when share prices tumbled during the summer. Yet the market has since bounced back by almost a fifth, taking it to within 5% of its peak in July. This is proof, say some analysts, that the market was not overvalued after all. Well, maybe. More likely, it makes the American stockmarket a very risky place indeed.

Barely a month ago the world, it was claimed, faced its worst financial crisis for more than 50 years, with emerging economies collapsing like dominoes and a credit crunch looming in America. Was it all just a nasty dream? It is true that global prospects now look a bit brighter. Asia's financial—if not its economic—crisis seems to be over, for now; the IMF's coffers have been topped up, paving the way for a rescue package for Brazil; America's credit markets are functioning fairly freely again. Perhaps best of all, Alan Greenspan has cut interest rates twice and is expected to cut again next week. Mr Greenspan, having delivered more than seven years of inflation-free growth, is again revered by financial markets. Once again, he seems to have worked a miracle.

The trouble with bubbles

The weaknesses of emerging economies do indeed look less of a threat than they did. Yet the biggest worry lies not in Asia or Latin America, but in the United States. It is often believed that America's expansion can continue without recession because inflation is not a worry. Previous expansions have come to an end because the Fed was forced to raise interest rates to check inflation. In contrast, it is argued, there is now plenty of room to cut interest rates if necessary. So if the Fed plays its cards right, the American expansion can continue, albeit with a period of more moderate growth.

This is wishful thinking, based on excessive faith in the powers of central banks in general, and of Mr Greenspan in particular (see pages 23-25). Even in a low-inflation world, private-sector behaviour can produce boom-and-bust cycles that central bankers are unable to control, as Japan discovered in the late 1980s and emerging Asia did in the first half of the 1990s. And even though America's inflation rate is low, the economy shows clear signs of cyclical excess.

Share-price gains and easy credit have allowed too many consumers to dream too easily of a Ferrari—or at least of a new Ford Taurus—in their garage. Consumer spending has risen almost twice as fast as income over the past four years, as capital gains have encouraged consumers to run down past savings and to expand their borrowings. Consumer credit is at a record level as a percentage of disposable income.

The most striking evidence of why this cannot last is that total household saving turned negative in September for the first time in 60 years. Companies have also been borrowing heavily to finance capital investment. As a result, the combined private saving rate (the gap between total private income and spending) has fallen to levels well below anything ever seen before in America (see page 79).

Clearly, spending cannot exceed income for ever. The share-price gains which have been driving growth must, eventually, come to an end. And, at some point, people will decide that it might after all be better if they were to spend a bit less than their income rather than a bit more. The only questions are when and how. Corporate investment is already sagging in response to weaker profits, and consumer spending has slowed slightly, though it is still rising faster than income. The end—ie, the readjustment of this imbalance—need not come soon. But it would be better, for America at least, if it did. The lower the saving rate falls the harder it will be for the Fed to stave off, or moderate, a recession.

The turnaround does not necessarily have to happen with a crash. Consumer spending might merely slow, allowing a "normal" saving rate to be restored gradually over a period of years. That would mean several years of slower growth than Americans have grown accustomed to, but no recession, or at least not a severe or prolonged one. Even so, it is as well to be aware of the risks: history suggests that blow-outs more often end with a bang than a whimper.

No time to cut

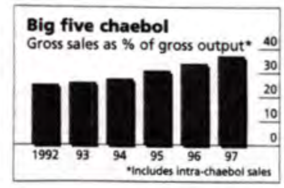
Optimists insist that growth can still be sustained, so long as the Fed continues to cut interest rates. In a typical downturn, consumer spending and investment are squeezed by a rise in interest rates in response to rising inflation; and, when rates are then cut, spending rebounds. This time, however, the initial brake on the economy is coming from a deteriorating balance of trade. Meanwhile, the sectors that are most sensitive to interest-rate cuts—housing, consumer durables and capital spending—are already over-extended. Lower interest rates, intended to offset the effect of slowing exports, may therefore do little to encourage consumers to spend and borrow more.

A more pertinent question is whether a rate cut is now appropriate at all. The risk is that it could simply inflate the bubble even more, leading to an even louder bang later. Instead, the Fed should probably try to nudge a turnaround into happening sooner rather than later. The only means at its disposal is a decision to confound markets' expectations and leave rates where they are.

The big lesson of the past few months is that central bankers are not, after all, infallible. Even Mr Greenspan's ability to control the economy is more limited than widely believed. It is conceivable that he may yet keep America growing. But the risks are now high that the economy will tip into some sort of a recession—and that fickle investors and consumers will suddenly see Mr Greenspan in a rather less favourable light. That will be a shame: dealing with bubbles is far from easy.

Cutting down the chaebol

South Korea's giant conglomerates need to slim. The best diet would be a throwing open of the country's domestic market



IT WAS decided this week in South Korea to hold a parliamentary inquiry into the causes of the economic crisis that have dragged it to the brink of bankruptcy. Yet many South Koreans already know where to point the finger: at the country's biggest firms. It was the giant conglomerates, known as the *chaebol*, that tried to grow ever bigger by recklessly loading up with debt and expanding into all manner of unrelated businesses. Yet, unrepentant to the last, South Korea's corporate monsters remain the biggest obstacles to the country's recovery—not least because rather than slimming, they are actually growing again.

The *chaebol* were deliberately fattened by successive governments with favours and state-directed credit, so that they would become the country's main engines of growth. This they did with gusto, helping South Korea to leap from poverty to well-being in just one generation. But in the process the cosy links between the *chaebol*'s bosses and the country's politicians and bureaucrats fostered corruption that still needs to be cleaned up. As they grew, the conglomerates became ever harder to challenge. Now they dominate the economy. The five biggest (Hyundai, Samsung, Daewoo, LG and the SK group) are responsible for more than a third of the country's entire sales and almost half of all exports.

In recent years, South Korean leaders have tried to trim the powers of the *chaebol*. They have been ordered out of certain businesses, told to limit their overseas expansion and borrowing, and even had limits put on the number of their "core" activities. Most of these measures have failed miserably. Yet when Kim Dae Jung, a veteran opposition leader, was elected president last December, it looked as though the *chaebol* would at last be brought to heel. Many thought a combination of the first peaceful transfer of political power in the country's modern history and the jolt of its financial mess would force the *chaebol* to restructure and become slimmer, more focused companies. Mr Kim's government has indeed ordered many sensible and much-needed reforms—but still the *chaebol* defy gravity (see page 67).

The small go to the wall

South Korea remains mired in recession, although Mr Kim is hopeful that it will bounce back to growth next year. In the meantime, however, most of the pain of restructuring is falling on small and medium-sized firms, tens of thousands of which have gone bust, often because they are unable to get bank loans. Most available credit is being gobbled up by the conglomerates. Banks, which have anyway never had much experience of lending to anyone else, fear that, if they do not keep handing out cash to their biggest creditors, they themselves may be dragged down too.

At the same time, Mr Kim is worried about pushing the *chaebol* too hard just now. With the unemployment rate heading towards 10%, politicians understandably fear the mass lay-offs that big plant closures would bring. There has already been a huge trade-union backlash against what, by international standards, have been decidedly modest job cuts by a few large firms. Plans by Hyundai, the country's biggest company, to lay off 1,500 workers were whittled down when politicians intervened in the negotiations; instead, only a few hundred lost their jobs. And Hyundai has just got even bigger by winning the bidding for bankrupt Kia Motors, ahead of Ford. The *chaebol* may also be the main bidders in the privatisations that the government now plans.

This does not mean the *chaebol* cannot ever be changed. And change remains urgently needed: if the *chaebol* remain unchecked, they will crowd out the small and medium-sized businesses that, in a maturing economy, are the biggest source of future growth. Yet, just as none of his predecessors got anywhere by telling the monsters what to do, neither, it seems, will Mr Kim. So instead his government should concentrate on reforms that open the market for everyone.

The government has already introduced some new measures that would help, such as rules to ensure more financial transparency and stronger shareholder rights. But these need enforcing. Other necessary measures include legal changes to make possible swifter and easier bankruptcy; stricter antitrust laws; and, above all, a greater opening of the South Korean market to foreign competition. Mr Kim has removed many barriers to foreign investors, but plenty of invisible ones remain, not least the hostility of Korean officials and consumers alike towards foreign goods and investment.

This has often been whipped up by the *chaebol* to keep foreigners out. After all, foreigners might prove to be the best allies for the smaller South Korean firms that have valiantly struggled in the shadow of the big conglomerates. In battle, the frontal assault is not always the best way to win.

The central banker as god

1998 may be remembered as the year in which the power of central bankers reached its zenith. They should enjoy their moment of glory: it will not last

THE past decade has witnessed one of the biggest bull markets of all time. Not least, it seems, for central banks. In country after country monetary policy has been taken away from unreliable politicians and handed to upstanding central bankers. The new European Central Bank (ECB) epitomises the bankers' ascendancy. From next January the ECB will be the most powerful central bank in the world, even more insulated from outside political pressures than is Germany's Bundesbank today.

In America, too, the influence of the Federal Reserve has grown—and its public image has hugely improved. In 1982 a Tennessee construction journal carried on its cover a "wanted" poster of Paul Volcker and the other six Fed governors—"The Maleficent Seven"—accusing them of "premeditated and cold-blooded murder of millions of small businesses". Today, Alan Greenspan, Mr Volcker's successor as chairman of the Fed, is revered as a god by most investors and voters.

Central bankers were given their new status and power only after years of high inflation had led to the conclusion that politicians could no longer be trusted with monetary policy. And judged by consumer prices, the bankers can certainly claim to have delivered: the average inflation rate in the rich industrial economies has fallen to 1.5% this year, its lowest rate since the 1950s (see chart 1).

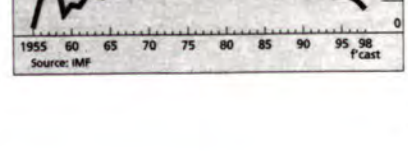
Ironically, it is their very success in delivering "price stability" that may now lead to the decline of central bankers' influence, in two ways. First, with the apparent death of inflation—the enemy they were given such freedom to fight—their legitimacy is being challenged. And second, while central banks have been able to declare the battle for "price stability" won, there are growing doubts about whether they have been neglecting other sorts of inflation, especially in asset prices.

Even before the ECB takes the monetary reins, its power and autonomy have come under political attack. The Maastricht treaty, which gives the ECB independence to pursue its goal of price stability, was negotiated by politicians from largely centre-right governments. Now the left controls or shares power in nine of the 11 countries that will adopt the euro. And several of the newcomers are less persuaded than their predecessors of the virtues of monetary (and indeed fiscal) discipline.

By far the most significant is Germany's new Social Democrat-led government of Gerhard Schröder. It was Mr Schröder's predecessor, Helmut Kohl, who so eagerly preached the doctrine of central-bank independence at Maastricht. Yet the new German finance minister, Oskar Lafontaine, has wasted no time telling the Bundesbank and the ECB that they should pay as much attention to job creation as to inflation.

In other European countries, too, the notion that central banks should shift their sights from inflation to output and jobs has gained support. This could put the ECB on a collision course with politicians. Indeed, there is a risk that this political bullying might make the ECB more wary than it would otherwise be about cutting interest rates next year, purely so as to flaunt its independence. As one central banker puts it, "we are like whipped cream—the more you beat us the harder we become."

In America, in contrast, most politicians and voters think that the Fed has done a fine job. It has delivered over seven years of uninterrupted growth and low inflation. Mr Greenspan's halo slipped only slightly in September, when he was criticised for not making bigger interest-rate cuts at a time when the world seemed to be on the brink of financial meltdown. But his unexpected rate-cut in October has been widely praised—and it has helped push Wall Street up by almost one-fifth from its



September low.

Yet Mr Greenspan is still walking a particularly delicate tightrope. Share prices could easily tumble once more, and America's economy may sink into recession next year—even if interest rates are cut again. In such an event, he may quickly be turned by America's fickle public from god to devil.

Indeed, as economies in both America and Europe slow next year, the challenges to today's accepted wisdom—that central banks should be independent, and should be given a prime or even only goal of price stability—will surely grow. Yet the case for putting monetary policy in the hands of an independent central bank remains strong. Politicians may be tempted to engineer a boom ahead of an election, knowing that inflation will take off only after the votes have been counted. That means that governments' anti-inflationary policies lack credibility, encouraging workers to demand bigger pay rises and investors to seek higher bond yields. If, instead, independent central banks are put in control of interest rates, inflation can be defeated at a smaller cost in lost output and jobs.

Even such critics as Mr Lafontaine insist that they are not questioning the independence of central banks, just their methods. They may even have a point. Central bankers, unlike the pope, are fallible—and they have made plenty of mistakes in recent years. However, their blunders have not been those of which they usually stand accused. Any appraisal needs to distinguish carefully between the charges that are being laid against them.

Off target

The first is that central banks should focus on growth as well as inflation. The second is that central banks are too secretive. The third, and perhaps most serious, is that central banks may be focusing on too narrow a measure of inflation.

The notion that central banks should care as much about output and jobs as they do about inflation reflects a misunderstanding. It starts from the fallacy that a low inflation target will permanently choke growth. Yet the bulk of continental Europe's 11% unemployment rate, which is Mr Lafontaine's gripe, is not due to insufficient demand caused by high interest rates. Rather, it results from structural rigidities in Europe's labour and product markets. A looser monetary policy would have no long-term effect on output and jobs; it would simply push up inflation. That reinforces the case for price stability being the right long-term goal for the ECB—and for all central banks.

Moreover, aiming at an inflation target does not mean ignoring growth and employment. Central banks take account of both in forecasting the future path of inflation. The ECB's critics make much of the fact that, by law, America's Fed is supposed to worry about jobs as well as inflation, and they point to its recent interest-rate cuts as proof of its greater tolerance of inflation. But in recent years, the Fed has, in practice, given priority to inflation.

The second topical complaint about central banks—that they lack accountability and transparency—applies especially strongly to the ECB. The danger is that without some accountability to elected politicians, the ECB will find it hard to secure the sort of public support that is enjoyed by the Bundesbank and the Fed. It could become an easy scapegoat for politicians when things go wrong.

In a democratic society, the best way to win legitimacy and public trust is openness. But the ECB has decided that, unlike the Fed or the Bank of England, it will publish neither the minutes of its policy meetings nor details of how members vote. This reticence may make it an easier target for those attacking its independence.

Parting of the ways 2
American prices and money
% increase on year earlier

*Weighted average of consumer and producer prices and real and financial assets, 12-month moving average
Sources: Deutsche Bank; Datastream/ICV

The third criticism of central banks is more controversial. Although most economists agree that inflation, not jobs, is the right target for a central bank, they differ on a crucial point: what measure of inflation? The recent economic crises in Japan and East Asia show that unsustainable booms can happen even when consumer-price inflation is low. In each case, lax monetary conditions drove up the prices of equities and property, but not of goods and services. Yet bubbles always burst in the end, with painful consequences.

This is worrying, not least because there are reasons to fear that a bubble has been swelling in the United States, too. On the surface, its economy looks healthy, with inflation currently running at only 1.5%. But the consumer-price index by which inflation is measured does not include rising prices for financial assets. Some stockmarket analysts claim that high share prices reflect the productivity gains of the "new economy". But look closer and there are symptoms of financial excess. To mention only three, share prices remain overvalued by most historical measures; the broad money supply has been growing at its fastest rate for 13 years; and the household savings rate has turned negative for the first time since the 1930s.

Thus, far from being dead, inflation may have merely assumed a different guise. And the lesson, as *The Economist* argued earlier this year, is that central banks should pay attention to the prices of assets as well as monitoring the prices of goods and services.

Central banks already take account of rising share prices if they threaten to spill over into general inflation as consumers are encouraged to spend some of their capital gains. But even if a stockmarket boom has no impact on inflation (which measures the rising price of current consumption), central banks should still worry about inflation in asset prices (which reflect claims on future consumption). Just as with normal consumer-price inflation, asset-price inflation can misallocate resources in the economy by distorting price signals. Rapid increases in the prices of equities and property may encourage firms to over-invest, or investors to over-borrow, as they bet on future capital gains.

Asset-price inflation carries another danger: that prices will overshoot and then collapse. This has been seen repeatedly: recent examples include Japan and Hong Kong. The collapse can then trigger broader economic and financial instability, to which central banks feel obliged to respond. It would clearly be wiser to prevent a bubble forming in the first place. As history has shown, the longer a bubble lasts, the bigger the bang when it bursts.

So there is a strong theoretical argument for central banks to pay more attention to asset prices. That does not mean aiming for a particular level in, say, the American stockmarket; but it might mean that a sharp rise in share prices is treated as one more signal pointing towards higher interest rates. Central bankers, however, seem reluctant to heed such signals.

One reason is that it is hard to tell a bubble when you see one. Rising share prices might be justified by strong economic fundamentals and higher future profits. It is surely dangerous to assume that central banks know better than the market. But even if asset-price inflation is hard to measure, this is a poor excuse for ignoring rising share prices—especially when they are accompanied, as recently in America, by rapid monetary growth and other signs of froth in the economy.

Hubble bubble, asset-price trouble

Even if it is clear that a bubble is being inflated—as some in the Federal Reserve believed earlier this year—what should be done about it? The link between monetary policy and asset prices is unclear. A sharp rise in interest rates might trigger a stockmarket crash, which would bring down on central bankers the wrath of politicians and shareholders, and maybe do serious economic harm. Most people view a rise in consumer prices as a bad thing, but a rise in equity or house prices is usually welcomed—not least by the 50% of American households that own shares.

Indeed, there is a curious asymmetry in attitudes towards movements in share prices. It is generally accepted that if share prices tumble, central banks should stand ready to cut interest rates to protect economies from the fall-out. But it is surely inconsistent then to argue—as many do—that the Fed should not usually interfere when they are surging onwards and upwards.

This debate goes back to 1911, when Irving Fisher, an economist, argued that policymakers should aim to stabilise a broad price index that included shares, bonds and property as well as goods and services*. Now Joseph Carson, an economist at Deutsche Bank in New York, has constructed such a price index for America. Although shares have a weight of only 5% in the index, it surged during 1996 and 1997 at its fastest rate since the late 1980s (see chart 2 on previous page)—a sign that monetary policy needed to be tightened. If America's bubble bursts and its economy goes into recession, the Fed will inevitably be blamed for not cutting rates sooner. Its real mistake, however, may have been not to raise rates some years ago.

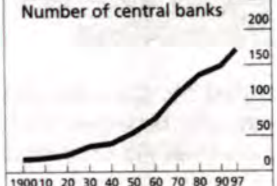
When consumer-price inflation is subdued, there is an obvious objection to raising interest rates to prick an asset-price bubble: that it could result in deflation elsewhere. But, argues James Grant, editor of *Grant's Interest Rate Observer*, a financial newsletter, that is exactly what should have been happening in recent years. In a period of rapid technological change and large productivity gains, he argues, prices should be falling, just as they did in the late 19th century. This is the benign type of deflation, not the virulently malignant kind seen in the 1930s.

Mr Grant accuses the Fed of having inadvertently pursued an over-expansionary monetary policy that helped to fuel the bull market. Its mistake, he argues, was to aim for price stability, rather than to allow prices to fall in line with productivity gains. This is similar to the 1920s—also a decade of rapid technological progress—when the Fed propped up product prices with easy credit, which then inflated share prices. Interestingly, in its *Federal Reserve Bulletin* in 1937, the Fed admitted that a falling price level in the 1920s might have helped to maintain overall financial stability.

Some economists conclude from such episodes that central banks have tended to do more harm than good: their actions can create instability rather than stability. On the surface it seems an anomaly that, while most other prices in the economy are being deregulated and exposed to market forces, central banks continue to fix the price of money—ie, interest rates. Why should the Fed know what the correct interest rate is, any more than a government knows the correct level of rents? Central bankers, says Mr Grant and his supporters, have become the central planners of the late 1990s.

Suppose interest rates were, instead, determined in the money markets, by the supply of savings and the demand for them. Then, in recent years, as borrowing exploded, they would automatically have risen, helping to cool the boom. Mr Grant argues that the Fed's intervention has upset this balance. In particular, the Fed suppressed rates in the early 1990s in order to bail out the banking system. In the process it unleashed a credit boom and widespread underpricing of risk.

Inflation 3
Number of central banks



Source: Central Banking Publications

Who needs them?

Might we be better off without central banks at all? Countries used to manage without them, after all. In 1900, only 18 countries had a central bank, compared with 172 today (see chart 3). And many economists have argued that a further fault of central banks is that, by acting as lender of last resort to the banking system, they foster moral hazard: banks lend more recklessly because they know they will be bailed out if things go wrong.

For these reasons, some economists have advocated free banking, in which private banks issue their own bank-notes that circulate freely in competition with other banks. Walter Bagehot, a 19th-century editor of *The Economist*, at one time also favoured doing without a central bank, but accepted that "proposing to do away with the Bank of England is as futile as proposing to end the British monarchy." Yet now that the monarchy is no longer revered, should the Bank stay sacrosanct?

In today's financial system, it would be fanciful and dangerous to scrap the lender of last resort altogether. Likewise, although it may sound attractive in theory to allow the market, rather than central banks, to set the level of interest rates, it could be dangerous in practice. Financial markets are by nature volatile, subject to under- and overshooting. In the 19th century, before the Fed existed, America still suffered severe boom-and-bust cycles That central banks have failed to end booms and busts is not, in the end, a sufficient reason to take monetary policy away from them—still less to give it back to politicians. Rather, it is an argument for seeking better ways to conduct monetary policy.

The notion that if governments simply gave central banks their independence all economic ills would be cured was always naive. Politicians, markets and voters expect too much of central banks. Such is the current faith in Mr Greenspan that he is expected to deliver full employment, price stability, a strong banking system and a rising stockmarket. Nobody, even Mr Greenspan, can achieve all this. Yet markets' belief that he can fuels the view that the boom can continue for ever.

Central banks' monetary levers have always worked clumsily, and the evolving shape of the financial system has made their job harder still. The task of central bankers has traditionally been defined by three words: money, banks and inflation. Over the past two decades of financial innovation, central bankers have struggled with the questions of "what is money?" and "what is a bank?". Now, at the pinnacle of their power, it is disconcerting that they need to ask "what is inflation?".

"How do we know when irrational exuberance has unduly escalated asset values? . . . And how do we factor that assessment into monetary policy?" Mr Greenspan asked the right question in December 1996. But his failure then to act to prick the bubble may yet prove to have been a big mistake. But Mr Greenspan is not a god, after all. ■

* Two related articles are: "On a Correct Measure of Inflation" by Armen Alchian and Benjamin Klein, *Journal of Money, Credit and Banking*, 1973; and "Less Than Zero: the Case for a Falling Price Level in a Growing Economy" by George Selgin, IEA Hobart paper no.132, 1997.

Bill Clinton

11-30-98

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John P—

→ What's the deal re: the Y2K
Chair — do we
have real problems
at DOD?

BC

President of the United States

11-30-98

Nuke agency falsified Y2K data

By Jeff Christensen, Reuters

Holiday season rolling

By Paul Sakuma, AP

Coast to coast: The Rugrats cruise through New York's Times Square during the Macy's Thanksgiving Day Parade; in San Francisco, above, James Messner thanks a server at Glide Memorial Church during a lunch for the homeless.

▶ Holiday and travel roundup, **3A**

▶ Get ready to go shopping, **1B**

Tests not done despite certification

By M.J. Zuckerman
USA TODAY

WASHINGTON — The Pentagon office responsible for the safety and security of U.S. nuclear stockpiles acknowledges falsifying readiness reports on the looming Year 2000 computer problem (Y2K).

The Defense Special Weapons Agency never conducted required tests on three of five "mission critical" computer systems despite claiming that the systems complied with Year 2000 standards, a Defense Department inspector-general's report concluded.

The agency also did not develop required contingency plans that would take effect if there was a failure of any "mission critical" system — a system essential to conducting its most primary duties.

"We recognize and agree with the findings of the inspector-general's report," says Capt. Allan Toole, who recently was assigned to correct Y2K problems at the agency.

He would not discuss specifics in the Oct. 30 report.

The report says that without corrective action, "The Defense Special Weapons Agency ... may be unable to execute its mission without undue disruption."

But Toole says the agency's systems will be "100% in compliance" by April 1999, despite not having established a complete inventory of the work that remains to be done.

"I have a good feeling about Y2K in this agency," he says.

The Y2K glitch could cause computers to make false calculations or fail entirely because the systems might be unable to comprehend dates beyond 1999.

In recent weeks the United States has sought out all other nuclear powers to share information to avoid potential accidents resulting from Y2K.

Facing increasing pressure from the Joint Chiefs of Staff, the White House and Capitol Hill to correct Y2K, "people may get a little hasty or mistakenly" report something as ready, says Marvin Langston, the Defense Department official in charge of the problem.

"But I think there's very little real mischief going on here," he says.

Langston says he is confident that "a high level of end-to-end retesting" of all systems beginning early next year will root out problems.

But the Pentagon received a D-minus grade this week from the House Government Reform and Oversight Committee, which has been issuing Y2K progress grades to federal agencies for the past year.

"Does it come as any surprise to you that the Pentagon on occasion fudges on the truth?" says Sen. Robert Bennett, R-Utah, co-chair of a Senate Special Committee on Year 2000. "The Pentagon has the biggest problem simply because they are the biggest agency. I know they are working very hard."

And he says there is improvement among agencies. "There aren't as many people lying to us as there used to be."

Exxon, Mobil close to $70B merger

By Thor Valdmanis
USA TODAY

NEW YORK — Exxon, the the world's second-largest oil company, is close to announcing a $70 billion merger with Mobil, the second-largest oil company in the USA behind Exxon, people with knowledge of the negotiations say.

The transaction, which could be unveiled as early as Monday, would be the biggest industrial merger in history and give birth to the largest Global Fortune 500 company, with combined 1997 revenue of just over $200 billion.

The pair also would rank as the world's largest energy company and control 22% of the U.S. retail gasoline market.

News of the proposed merger is expected to send energy shares of smaller players such as Chevron and Arco soaring today on speculation that they might be next as industry consolidation accelerates under pressure from plummeting oil prices and ballooning exploration costs.

Exxon, which has a market value of $17[illegible] billion, would acquire Mobil, worth $61.1 billion, in a stock swap.

Insiders caution that the negotiations could still unravel.

The firms have yet to settle on what premium Exxon should pay for Mobil. Also, discussions are focusing on issues such as who will be in charge. Both Lucio Noto, Mobil's 59-year-old CEO, and Lee Raymond, 60-year-old head of Exxon, are fiercely independent.

But the companies are said to recognize that consolidation is inevitable as the industry is hit by oil prices that this week fell to $10.88 a barrel in London, a 12-year low.

Industry analysts say the deal is unlikely to threaten consumers with higher prices at the pump. Members of OPEC, the organization of oil-producing countries, failed Thursday to convince traders that they are serious about stabilizing prices by limiting production.

If completed as expected, the merger to reunite the biggest pieces of John D. Rockefeller's Standard Oil monopoly, which was broken up 87 years ago on anti-trust grounds, would face close scrutiny from regulators in both Washington and Brussels, Belgium.

Anti-trust lawyers say the Federal Trade Commission may force divestitures in refining operations, fuel stations and pipelines. But many believe the proposed deal would get the go-ahead because of fierce global competition and pressure from alternative energy sources.

Neither company could be reached for comment Thursday. Investment banks JP Morgan, advisers to Exxon, and Goldman Sachs, retained by Mobil, declined comment.

The talks come amid a flurry of mega-mergers this year, including the $55 billion union of British Petroleum and Amoco.

Today's military tougher on families

By Andrea Stone
USA TODAY

COVER STORY

BOSSIER CITY, La. — As he did last year, Robert Fournier III carved the family turkey this Thanksgiving. He used his father's knife, even though he wasn't allowed to sharpen it.

Robert is 11. But with his father, Air Force Capt. Robert Fournier Jr., deployed once again to the other side of the world, his was a tradition born of necessity.

"This is the second year in a row Saddam has kept my daddy away from me," Robert says.

Fournier, a radar navigation officer in a B-52 squadron based at Barksdale Air Force Base here, was called up by President Clinton this month. The mission was a military buildup to show Iraqi President Saddam Hussein that the United States was prepared to bomb Baghdad unless he cooperated with United Nations weapons inspectors.

For the moment, the crisis has eased. But tensions remain high, and Fournier remains on standby. He ate his Thanksgiving dinner with other airmen on the tiny Indian Ocean island of Diego Garcia, seven hours away from the Persian Gulf and 30 hours from home.

Fournier is one of 122,000 airmen, soldiers, sailors and Marines who were on deployments away from their home bases for the holiday. Another 200,000 are stationed at permanent bases in Europe or Asia. For them, life in today's military is a life spent on alert.

The nation may be at peace, but its warriors are too busy being peacemakers to stand still. Though the military has been reduced by a third since the Persian Gulf War, the number of missions — from Bosnia to Haiti to the gulf — has tripled. And because more troops are now stationed in the United States instead of at forward

By Matthew Menard for USA TODAY

Dad in Persian Gulf: Chris Fournier with Robert, 11, and Nicole, 9, in Bossier City, La.

Please see COVER STORY next page ▶

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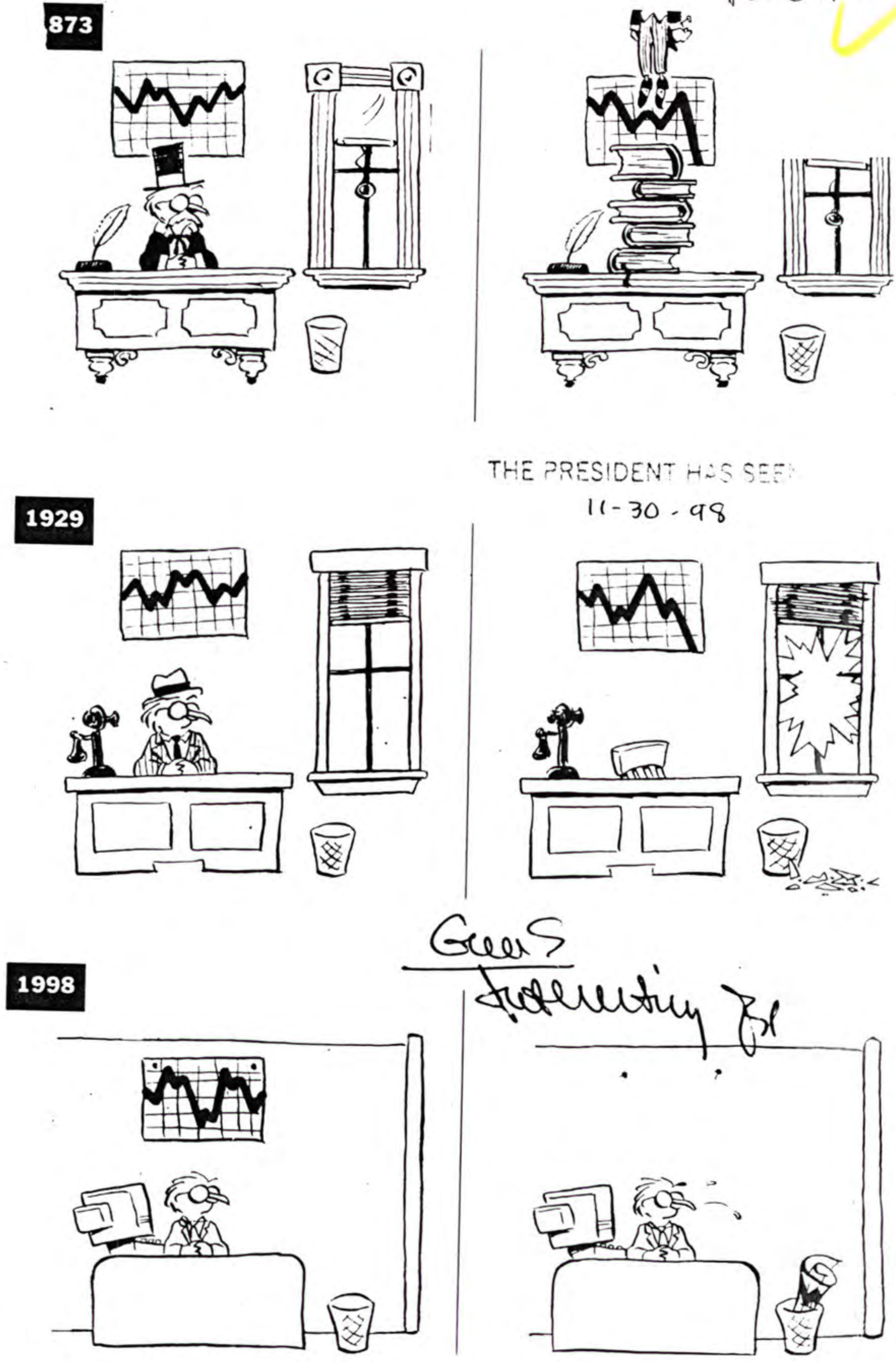

THE PRESIDENT HAS SEEN
11-30-98

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Interesting Bl

Some Depressions Aren't So Bad

By Niall Ferguson

LONDON

As the Dow Jones industrial average surged yesterday past the peak it reached last July, I was reminded of the English historian A. J. P. Taylor's remark that the only thing men learn from history is how to make new mistakes. Nothing demonstrates how easy it is to draw the wrong lessons from the past than the overheated talk of a second Great Depression following the short-lived drop in the stock market last summer.

When people refer to the Depression they obviously mean the catastrophic slump that followed the Wall Street crash of Oct. 24, 1929. The scars from that time run so deep that some economists mention it nearly every time the Dow Jones industrial average suffers a big one-day slide.

In July and August, when the Dow plunged by nearly 2,000 points, people wondered if Alan Greenspan would see his hard-won reputation as the world's most successful central banker evaporate in one final swoon. Not this time.

Maybe, however, we're looking at the wrong historical precedent. For there is another. It predates 1929, and it is much less scary.

The Great Depression of the 1930's was, in fact, the second such worldwide period of deflation. The first began in the 1870's and did not end until the mid-1890's.

What relevance does the depression of more than 100 years ago have in 1998? In many ways the world today is more like that of the late 19th century than it is like the world between the wars. The global economy in the 1920's and 1930's was hampered by restrictions on trade and on the movement of capital, as well as by numerous structural problems that originated in the huge disruption created by World War I.

By contrast, the world economy in 1873 was characterized by unprecedentedly free trade, thanks to the fashion for laissez-faire economics pioneered by Britain.

Huge infusions of capital were pumped into the world economy as investors sought higher returns in the late 19th century's emerging markets, notably Russia and Latin America. In some ways North America was an emerging market, too.

In those days, the world's financial center was London, with Paris in second place. Today, of course, New York is the hub, even if the Japanese have long been the world's biggest overseas net lenders. Capital movements are managed (if that is not too flattering a term) by giant companies like Merrill Lynch in partnership with smaller hedge funds. In the 1870's the international economy's No. 1 market maker was the House of Rothschild, a vast multinational investment bank that continued to be run, as it had been since the 1790's, as a family business.

The late 1860's and early 1870's were a boom time for the Rothschilds and their lesser imitators.

A little 19th-century deflation, late in the 20th.

The United States, emerging from the wreckage of the Civil War, was forging ahead with its railway network. German unification was followed by a boom east of the Rhine (rather as German reunification was after 1989).

In Central and Eastern Europe, the economy of the once stagnant Hapsburg Empire in Austria-Hungary began at last to grow. In Russia, the reforms of Czar Alexander II (beginning with the emancipation of the serfs) were ushering in rapid industrialization, financed mainly by foreign investors. Other countries eager for outside capital included Argentina and Brazil. And in the East, British imperialism was beginning to open up the potentially vast Chinese economy.

As in our own day, a key to the global boom was a revolution in communications. For the Victorians, it consisted of railways, steamships and the telegraph. Speeds for international communication were reduced from months to hours.

The Great Depression began on May 8, 1873, with a big slump on the Vienna stock market. The contagion soon spread to London. Central banks cut their base interest rates (the Bank of England's went from 9 percent in 1873 to 2 percent two years later), but to no avail.

The important point about the first Great Depression is that it was primarily a deflationary phenomenon. From 1873 to 1895, British prices fell by 44 percent. This happened more or less everywhere. By contrast (and this is the big difference between the 1880's and the 1930's), production did not fall substantially, and unemployment remained comparatively low.

This has profound implications for our own day. Commodity prices have fallen sharply — down 18 percent in the past year. But Americans and Europeans are feeling more gain than pain.

Economists and central bankers tend to take it for granted that deflation is a bad thing, with falling output and unemployment its necessary accompaniment. As the case of Japan illustrates, there is some truth in this: indeed, it can be a self-fulfilling trend, in that pessimism breeds reluctance to invest. But the experience of the late 19th century suggests that deflation need not invariably be associated with universal economic misery.

Of course, there were losers then. In the United States, the Populists, a movement that began with disgruntled farmers, attributed the low prices they were getting to a conspiracy of bankers led by the Rothschilds.

The Populists blamed the United States' adoption of the British gold standard system of fixed exchange rates for the economic disruption. What was needed was an infusion of money — more silver and more paper dollars — to create mild inflation.

Similar pleas can be heard today, in different circumstances. The economist Paul Krugman has urged Japan to "print money like crazy" to revive its economy — a remedy that the Populists favored long before Keynes. Other losers (including heavy industry) argued for protectionist tariffs or sought refuge in price-fixing cartels.

If nothing else, the Populists were right about the importance of the international monetary system as a transmission belt for financial crises.

Banking crises recurred throughout the period, notably the Barings bank crisis in London in 1890 (which prompted a bailout financed by the Rothschilds that was much like the recent private-sector rescue of the Long-Term Capital Management hedge fund).

But the key point is that not everyone lost as a result of deflation in the 1870's and 1880's. Stock speculators and commodity producers certainly suffered. But poorer consumers — that is, most people — clearly benefited from cheaper prices for food and other essentials. And falling prices did not discourage businessmen like the Rothschilds or John D. Rockefeller Sr. from investing; in fact, it was precisely the prospect of ever cheaper fuel that encouraged both to invest millions in the nascent oil industry.

So here, for those who want a new lesson from history, is the bad news: yes, another Great Depression is possible. In Japan it may have already begun, though so far central bankers elsewhere are managing to fend off serious deflation by cutting interest rates. (This time there's no gold standard to worry about.) The good news is that, if a depression comes, it will be a lot more like the price-cutting one of 1873 to 1895 than the economic catastrophe of the 1930's.

Niall Ferguson is the author of "The House of Rothschild."

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THE PRESIDENT HAS SEE[N]

11-30-98

The Risk for Nicaragua: Destruction by Despair

By Arturo J. Cruz Jr.

LEON, Nicaragua — At the beginning of the 17th century, the inhabitants of León, then the capital of Nicaragua, abandoned their city in a silent exodus. For almost 100 years they had struggled to keep their city on the spot originally chosen for its serene beauty: near the shores of Lake Managua, facing the magnificent volcano Momotombo. But with this beauty came disaster.

Earthquakes and volcanic sulfur periodically destroyed the harvests, livestock died of strange diseases and too many babies were born dead. So the people of León finally surrendered, believing that they were being punished by God for the sins of their ancestors, conquerors from Spain whose treatment of the native population was barbarous.

Since then, doom has remained an indelible component of the Nicaraguan worldview. To this day, many wonder if they have a pending "bill" with God. Certainly, we have been punished mightily over the years, not least with a long legacy of dictatorship, failed revolutionary experiments and bitter civil war.

The legacy of natural disasters has been even more painful.

Earthquakes have devastated our cities. Tidal waves have carried off coastal towns. Volcanic eruptions have heaved up ashes that reach as far as South America.

And most recently, the hurricane designated Mitch has poured rains down incessantly on Honduras and Nicaragua. In desperation, people scaled trees to escape the floods, while others dropped from exhaustion and hunger.

Many thousands were buried alive by mud slides, and many more were left homeless. And, as in the old days, grotesque afflictions became commonplace.

More hardships await us. Harvests have been wiped out, severely reducing the supply of food staples and export products. Roads and bridges have been damaged beyond repair in some places. Nicaragua desperately needs immediate assistance.

But the country must also look beyond this latest disaster. More than half the [illegible]

Before Hurricane Mitch swept in, local economists prepared a 10-year forecast for Nicaragua based on highly optimistic assumptions. Our optimists assumed an annual growth of 10 percent and inflation rates below 10 percent. They also assumed that population growth would slow to 2 percent a year. Even under these comparatively benign conditions, the experts projected that by 2008 unemployment and underemployment would still hover around 19 percent and per capita income would be merely a third of what Costa Rica's was in 1997.

The pressing problem is a suffocating foreign debt that is six times the size of total exports and nine times the income that the government generates through taxes. Immediate debt relief is the only hope. But this is an initiative that only the multilateral organizations can champion — organizations like the International Monetary Fund. Perhaps Michel Camdessus, the IMF's managing director, who is due to arrive in Central America this week, will agree.

The danger is not just to Nicaragua but to the entire region, as more and more Nicaraguans conclude that the only practical option is to emigrate. According to conservative estimates, more than half a million Nicaraguans have fled to Costa Rica in the last decade and a half in search of jobs and a better future. After Mitch, the number is sure to rise. But Costa Rica can absorb only so many migrants. The other countries in the region, El Salvador and Guatemala, are even less able to take in refugees.

We know that foreign generosity can take us only so far.

Nicaragua's leaders must convince the people that the curse of the past is only a dusty myth and that the despondency felt by the residents of León almost 400 years ago need not determine our future today. Surely the United States, which was so determined to bring free elections to my country in the 1980s, wants to help us preserve our incipient democracy from destruction by despair.

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Bruce — we should deal w/ this
are we prepared to? — definitely

"All the News That's Fit to Print"

The New York Times

VIII . . . No. 51,351 TUESDAY, NOV

Long a Leader, U.S. Now Lags In High School Graduate Rate

By ETHAN BRONNER

A major new international study shows that American high school graduation rates, for generations the highest in the world, have slipped below those of most industrialized countries.

The report, released yesterday by the Organization for Economic Cooperation and Development in Paris, which helps coordinate policy for 29 of the richest countries, suggests that the changing picture is less a matter of American backsliding than of substantial recent progress by other nations.

For example, in 1990, the average number of years an American 5-year-old was expected to attend school or college was the world's highest, 16.3. In 1996, the latest year for which data were available, the American score was 16.8, but 11 other countries, including Canada, Spain and Finland, had surpassed that number.

In addition, the report found that the United States devoted a smaller percentage of its national income to teacher salaries than other countries.

The United States remains on top in the percentage of students who enter college, but a pattern similar to high school graduation rates is emerging.

"Entry rates to college education in the U.S. are still the highest in the O.E.C.D. but that is likely to change soon," said Andreas Schleicher, principal administrator at the organization and one of the study's authors. "While enrollments in the United States remained relatively stable between 1990 and 1996, they increased by more than 25 percent in 16 O.E.C.D. countries."

He added that the United States also had one of the highest university dropout rates in the industrialized world — 37 percent.

The report was the fifth such study issued by the organization since 1991, when it started examining educational trends. Mr. Schleicher said that over the last three years the report has been the organization's best-selling publication.

The report offers far more data than analysis, but it suggests that growing emphasis in other countries on high school graduation is a result of "the desire of employers to have better skilled workers and, hence, from individuals who see that educational qualifications improve their life chances."

Mr. Schleicher said the other nations in his organization had placed enormous emphasis on improving access to education, bringing them in line with and surpassing American achievements.

The shifting balance is likely to

Continued on Page A18

Conquering the Internet

America Online Sees Netscape Acquisition As a Big Step Toward Its Ambitious Goals

By STEVE LOHR and JOHN MARKOFF

With its proposed purchase of the Netscape Communications Corporation, America Online Inc., the nation's ... interact, with the tap of a key or click of a mouse button.

The interaction that advertisers

CLINTONS' FRIEND FOUND NOT GUILTY OF EMBEZZLEMENT

TUMULTUOUS TRIAL ENDS

Susan McDougal Still Facing Charges Related to Starr's Whitewater Inquiry

By TODD S. PURDUM

SANTA MONICA, Calif., Nov. 23 — Susan H. McDougal, President Clinton's former partner in the Whitewater deal, was acquitted today on all nine counts that she forged checks and credit card receipts to steal $50,000 from the conductor Zubin Mehta and his wife, Nancy, and then failed to pay state income taxes on the money.

As the clerk in Superior Court here read out verdict after verdict of "not guilty" this afternoon, Ms. McDougal seemed to struggle to hold back tears, finally embracing her lawyer and brushing her brow with her hand, as Mrs. Mehta sat impassive in a front row seat in the courtroom.

"I'm overcome," a tearful Ms. McDougal said in a corridor as she hugged friends and supporters after the verdicts. "I just thank everyone who's helped me."

The verdict, unrelated to the Whitewater case, ended an occasionally tumultuous 11-week trial, in which Judge Leslie W. Light repeatedly admonished the voluble Ms. McDougal to refrain from speaking out of turn.

For months, Ms. McDougal and her lawyer had contended that the case was politically motivated, and accused the Whitewater independent counsel, Kenneth W. Starr, of offering to have the charges dropped if Ms. McDougal would testify in his investigation, an accusation that both Mr. Starr and the local prosecutor flatly denied. Mr. Starr did hold Ms. McDougal in jail for 18 months

Long a Leader, U.S. Lags in Graduations

Continued From Page A1

cause concern in the United States, because the quality of American education has been the focus of growing debate for 10 to 15 years.

"I think we should be quite alarmed by this," said Gerald Graff, professor of English and education at the University of Chicago, who is writing a book on what he considers the dangerous gap between the thinking classes in America and the rest of the society. "We've never fully committed ourselves to the democratic idea of education. There is a kind of silent bargain between schools and many of its students that says, 'We'll leave you alone if you just sit there and don't bother us.' "

Earlier this year, the results of a mathematics and science test for 12th graders in many countries showed students in the United States to be among the least knowledgeable. Earlier tests showed that the lowest 25 percent of 8th graders in Japan and South Korea to outperform the average American student.

Education was widely cited by voters as their top concern in this month's state and Federal elections. Candidates of both major parties vowing increased spending on teacher training and school improvement.

Education has risen and fallen as a political issue for generations. The Soviet Union's launching of the Sputnik satellite in 1957 spurred schools in the United States to require more math and science courses.

The issue most recently gained a high profile in 1983 with the publication by the U.S. Education Department of an alarming report on American education entitled "A Nation at Risk" which said that if a foreign power had imposed such a low level of education on the United States, it would rightfully have been perceived as having engaged in an act of war.

In the years since, there have been numerous efforts to improve the nation's schools, from alternatives to public education like charter schools and voucher plans to projects to improve teacher quality, widely perceived as the system's Achilles' heel. Some states are now testing student teachers more rigorously and offering signing bonuses and student loan forgiveness to encourage better candidates to enter the profession.

Many states are also instituting tests at various stages to insure that students do not graduate without basic skills and knowledge.

Yesterday's report shows that Americans between the ages of 55 and 64, who graduated high school some 40 years ago, had a graduation rate of 77 percent, the highest of those surveyed. Among those ages 24 to 34, the United States' rate slipped to eighth position. Today's graduation rates, with the United States at 72 percent, place it second to last in the 29-nation group, above Mexico.

It seems unlikely that the shift reflects higher standards for graduation in the United States because comparisons of adult literacy rates in the study show Americans to be among the industrialized world's least literate populations.

According to the report, the United States' expenditure per pupil is still among the highest in the group at all levels of education. It stands out in the way it has brought the private sector into college and university education, leading the way, according to Mr. Schleicher, in a growing international trend.

"Across the O.E.C.D., students in both public and private colleges are being asked to pay more for their education," he said. "Unlike in the United States, however, this spending has, in many countries, supplemented rather than displaced public spending on education."

But while the United States spends a great deal on education in absolute terms, its expenditure is about average as a percentage of gross domestic product. Moreover, teacher pay viewed through the same lens shows the United States to be among the lowest, while demands on teacher time in class are among the highest.

An experienced high school teacher in the United States earns 1.2 times the nation's gross domestic product per capita. Only the Czech Republic, Hungary and Norway pay their high school teachers less when measured as a percentage of gross domestic product. In Germany, Ireland, South Korea and Switzerland, among others, teachers earn twice or more of the per capita G.D.P.

Moreover, the average teacher salary in this country is significantly below that of other university graduates; in many other countries, like Australia, France and Britain, it is above it.

The amount of time a typical middle school teacher in the United States spends in front of a classroom per year is 964 hours, among the highest in the report.

The report adds that Americans cannot comfort themselves by thinking that theirs is a society of social mobility. It finds that children whose parents completed college are more than three times as likely to become college graduates as children whose parents did not complete high school. Moreover, the achievement gap between the well-off children of the well-educated and others is above the average for the 29 industrialized nations.

Now a 'Rescue' Package That Threatens to Sink B...

THE PRESIDENT HAS SEEN

Gene S
What's your Response — RC, 11-30-98

By Mark Weisbrot

WASHINGTON — After disasters in Asia and then Russia, the International Monetary Fund and its allies in the Clinton administration have concluded that their only mistake was that they did not intervene early enough. So they have put together a $42 billion "rescue" package for Brazil.

There is little reason to believe that the IMF's bitter medicine will help Brazil any more than it helped Indonesia or Russia. In fact, economists already are predicting a recession there for next year on the assumption that Brazil takes the IMF money and the advice which goes with it.

That advice mandates big cuts in government spending, tax increases and enormously high interest rates, a deadly mix nearly guaranteed to send any economy into a tailspin. It is hard to see how the prospect of recession, not to mention the potentially explosive political conflict that such policies will provoke, will accomplish the goal of calming nervous financial markets.

Brazil has the most unequal distribution of income in the world, with the upper 10 percent taking about half the nation's income, while 43 percent of the people survive on less than $2 a day.

The IMF-engineered economic contraction therefore will have terrible consequences even if it "succeeds" on its own terms. People who already are malnourished will get less food, and some will die. Spending on health care and education will be cut, and millions will lose their homes and livelihoods. So the question is: Are these drastic measures necessary?

Start with the federal budget deficit. It is running at 7 percent of GDP. The U.S. government ran a budget deficit of 6.1 percent of GDP in 1983, with no harm done. One might argue that either of these deficits is too high over the long run, but there is no urgency about cutting them.

It is sometimes feared that budget deficits in this range will speed up inflation, but that is clearly not the case in Brazil, where inflation is at 3 percent.

What about the exorbitant interest rates, now running at 42 percent, which cripple economic activity even more than the budget cuts? The IMF argues that they are necessary to prevent the Brazilian currency from collapsing. This is because lenders, due to the risk of currency devaluation, are unwilling to keep their money in the country at lower rates.

But other solutions are possible. Some economists argue that the country would be better off with a flexible exchange rate, and they probably are correct.

Defenders of the status quo counter that the real is highly overvalued, and so if it were allowed to float immediately it would first sink like a stone. This would increase inflation by raising the price of imported goods. But Brazil's imports are only about 7 percent of its economy.

Other measures could help Brazil avoid recession. The government could place controls on the buying and selling of its currency to prevent a currency collapse without having sky-high interest rates. But the IMF does not allow these or almost any other kind of "capital controls."

Since the Asian economic crisis, which clearly was brought on by the liberalization of international capital flows, some leading economists have changed their views and are willing to consider various forms of capital controls. But the IMF and its allies in the Clinton administration remain committed to maximizing the freedom of international investors while protecting them from the risks of bad loans and currency depreciations. Hence their insistence that Brazil maintain its fixed exchange rate, without capital controls, no matter what the cost to Brazilians — or to U.S. taxpayers financing the bailout.

The Brazilian financial crisis, like the Asian "contagion" that set it off, is a product of these misplaced priorities that are decided in Washington. And that raises the most important question: Shouldn't Brazilians have the right to choose their own economic policy?

Washington clearly says "no." It announced just before the Brazilian presidential election last month that the funds to prevent a currency collapse would be made available only if President Fernando Henrique Cardoso were re-elected. So much for democracy.

The battle is far from over, and the Brazilians will make their voices heard in their Congress, in their state legislatures and, most likely, in the streets.

The writer, a research associate of the Economic Policy Institute, contributed this comment to The Washington Post.

Western Foolishness

GLOBALIZATION is as robust as it has ever been. If there is a threat to the success of the Western-dominated global system it comes from shortsighted Western leaders.

The Western countries are setting the rules for the postindustrial global economy, and they can do so without reference to most of the rest of the world. The health of globalization therefore depends, as it always has, on the heartiness of the developed world.

Globalization has always primarily been a process of Westernization. That is why the main threat to it comes from foolish leaders in the West.

Paranoia about exaggerated threats may lead too many Western leaders to make sharp cuts in interest rates in order to reflate economies. Europe's new cohort of left-wing leaders are calling for sharp curbs on

Three Asia ... hallenges

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Sperling
Podesta

KUALA LUMPUR — The Asia-Pacific Economic forum is very frustrating but absolutely necessary. It is frustrating because, with 21 members, three of them admitted on Saturday, it is increasingly cumbersome and rarely decisive. But it is necessary because it is the only viable framework for economic cooperation in the Asia-Pacific region.

Nowhere is economic, political and cultural diversity greater than in this region. Nowhere is there a greater need for a framework that permits such different societies to work together toward common economic goals.

This background, sometimes forgotten, is important as APEC leaders prepare to hold their annual summit here on Tuesday and Wednesday at a time when many in the business community and elsewhere are questioning the relevance of the organization.

The financial crisis in the region seriously challenges APEC's agenda of trade and investment liberalization, and its program of economic and technical cooperation.

By demonstrating the power of the global economy to render swift, harsh and, for some coun-

for ... cha ... cial ... it ta ... Fin ... for ... res...

First, they should maintain the organization's commitment to liberalizing trade and investment, and to making it easier for businessmen to operate. Afflicted Asia needs more, not less, foreign trade, investment and confidence.

Second, APEC should be circumspect on the issue of free capital mobility. Free trade and free movement of capital are not the same thing. The benefits of free trade have been powerfully demonstrated by the region's phenomenal economic progress in the last 30 years. The dangers of unfettered capital flows across national borders in the absence of adequate regulatory structures have become tragically obvious in the current crisis.

Third, APEC should launch a financial initiative to help affected member economies to reform and strengthen their fi-

cludes the major potential creditor economies in the region, among them the United States and Japan.

APEC is in a strong position to respond to the crisis. It must not let the opportunity slip. To have the means to act, yet not do so, is to risk being marginalized.

The writer, a Brunei businessman and a member of the APEC Business Advisory Council, contributed this comment to the International Herald Tribune.

IN OUR PAGES: 100, 7...

1898: German Feud

PARIS — The conflict between the Emperor and the Regent of Lippe occupies a large place in the German press. The "Augsburger Abendzeitung" says: "It is a patriotic duty to declare that there must be but few persons in the German Empire who are on the side of the Emperor in this matter. It is difficult to understand how the Emperor William should expect a sovereign of the German Confederation to tolerate an infringement of his sovereign rights by the Emperor."

Great letter — need reply
cc C Jennings

THE PRESIDENT HAS SEEN
11-30-98

181 Wilderness Trail
Pearcy, Arkansas 71964
501-525-8625

To Burkhardt for Reply? Yes
copied Jennings / Podesta

November 5, 1998

Dear President Clinton and First Lady Mrs. Clinton,

Just a note from "back home" to say that we're celebrating our democratic victories, as well as wishing you the best. You have been in our thoughts and prayers every day for these past months. These election victories clearly show that we are all ready to move on to important matters!

Speaking of important matters, we owe a tremendous debt of thanks to you and our dear friend, Mr. Dick Kelley. My fiance, Milton Ragsdale, had the honor of becoming the first adult in the entire world to receive a new type of experimental transplant for people with muscular dystrophy. It was with the help of Dick and your administration that we gained the attention of the FDA to the matter of looking at the clinical trial protocol before it was too late for Milton. I am happy to say that not only did Milton receive his transplant two years ago, but that he is alive and well and making tremendous improvements!

We are so grateful to the Clinton administration and to Dick, who has been helping us for the past five years and has been a better friend than anyone could ask. (I told Johnette Taylor not too long ago that, though people are always telling Dick he's lucky to be stepfather to the President, I think the first family is also very lucky to have **him** as a family member!)

Recently, the research program at Cell Therapy Research Foundation received "fast track" status from the FDA. There are no words to express the gratitude that we feel for the help of your administration in the past few years. We know that Milton owes his life to the help you've given. We are amazed every day at his progress.

We wish you the very best in the coming days. Meanwhile, your family is ever in our prayers. Our best regards to Chelsea.

Sincerely,

Pam Diggs

Pam Diggs

Milton Ragsdale

Milton Ragsdale

THE PRESIDENT HAS SEEN
11-30-98

To Reply

Phil — are you going to condolence

11-30-98
To Burkhardt
for Reply.

Phillip Caplan

11/30/98 10:07:17 AM

Record Type: Record

To: Betty W. Currie/WHO/EOP

cc:

Subject: General John Stanford

---------------------- Forwarded by Phillip Caplan/WHO/EOP on 11/30/98 10:07 AM ---------------------------

From: Julia M. Payne on 11/30/98 10:06:27 AM

Record Type: Record

To: Michael Waldman/WHO/EOP

cc: Phillip Caplan/WHO/EOP, Joshua S. Gottheimer/WHO/EOP, Christa Robinson/OPD/EOP, Jason H. Schechter/WHO/EOP

Subject: General John Stanford

Can you please provide a statement from the President on the death of General John Stanford, the Superintendent of the Seattle School System? He passed away this Saturday from leukemia. See attached story. NOTE: Per Kris Engskov, the President is sending a letter to his family. Thanks

Seattle Schools Superintendent Dies

By AUDRA ANG
Associated Press Writer

SEATTLE (AP) — John Stanford, a former Army major general with no background in education who brought a no-nonsense approach to the job of Seattle's school superintendent, died of leukemia Saturday. He was 60.

Stanford, who had been battling the disease for seven months, died at the Fred Hutchinson Cancer Research Center, said Sue Edmonds, a spokeswoman for the facility in Seattle.

``We have lost an incredible leader and a dear, dear friend,'' acting Superintendent Joseph Olchefske said. ``Our staff, this city, and the children we serve will miss him dearly.''

The retired two-star general was brought in as Seattle's first black school superintendent in June 1995, drawing national attention because he was one of the few non-educators chosen to lead such a large school district.

His initial suggestions for the 47,600-student school system included requiring all pupils to wear uniforms and denying driver's licenses to anyone associated with a gang.

Education is a family responsibility, he said. Asked by a parent what he planned to do to improve test scores, he responded with a question: ``What are you going to do?''

Stanford revamped the district's student-assignment plan to emphasize neighborhood schools and instituted a new school-funding formula based on enrollment and student demographics.

Stanford spent 30 years in the military, becoming acting deputy commander-in-chief and executive assistant to former Defense Secretary Caspar Weinberger.

He retired from the Army in 1991 to take the job of county executive for Fulton County, Ga., where Atlanta is located.

In Seattle, he received national attention for his efforts to improve schools and addressed the 1996 Democratic National Convention in Chicago.

Stanford was diagnosed with acute myelogenous leukemia in early April and had undergone several rounds of treatment. He had started a tradition of back-to-school pep rallies, and left his hospital bed in September to appeared at this year's rally, addressing staff and students from a downtown balcony.

``This is really, really a terrific day,'' Stanford told the cheering crowd.

Stanford is survived by his wife, Patricia, and sons Steven and Scott.

An informal memorial was held Saturday afternoon.