

Monday, December 7, 1998

JP

PHOTOCOPY
PRESERVATION

Other People's Money

THE PRESIDENT HAS SEEN
12-7-98

Guns/Brent/centPen

James K. Galbraith examines the growing wage gap in America and what it may mean for the economy.

CREATED UNEQUAL

The Crisis in American Pay.
By James K. Galbraith.
Illustrated. 350 pp. New York:
The Free Press. \$26.

By Bruce Nussbaum

IT has come to this. On the cusp of the 21st century, after years of buoyant growth, wealth creation and optimism, the global economy is poised on the knife-edge of disaster. If there is a slogan for this gloomy end-of-the-century period it is, "Lack of demand is the problem, stupid." And if there is an answer, then it is "easy money."

The truth is, at this moment in time, there is nothing more important than monetary policy. Mistakes are bringing the world to the brink of the most threatening recession since the Great Depression. For over a year, serious but contained economic problems in Asia have been mistakenly treated with tight money medicine prescribed by the International Monetary Fund. The result? The impoverishment of millions of middle-class people, riots and pogroms against Chinese minorities and the unleashing of a savage deflationary recession that is sweeping the globe. Russia's fragile market democracy is being undermined, Latin America's economic progress is being squeezed and now the United States is being hit.

The forces of deflation are killing American corporate profits, scaring the stock market and eroding wealth. The wild optimism of the spring and early summer is quickly being replaced by a gloomy foreboding. Almost no one in a position of power anywhere in the world has ever lived through a deflationary recession, the kind that parents and grandparents still describe only with hushed tones and worried looks. Will the world's leaders make the right choices in policy? Have the wrong ones already determined our economic destiny?

The growing debate over monetary policy makes James K. Galbraith's "Created Unequal" an important book. While Galbraith, the author of "Balancing Acts: Technology, Finance, and the American Future," focuses on the domestic economy, he puts his finger on the issue of the day — monetary policy and its impact on economic growth and income around the world. Too often, he says, the Federal Reserve has battled the threat of inflation at the sacrifice of job creation and income growth. By keeping interest rates relatively high and economic growth lower than it could be, the Fed encourages chronic high unemployment. This, Galbraith argues, hurts less educated, lower-end workers harder than their college-educated counterparts and opens a wage gap that threatens the middle-class foundations of American democracy. For the past 30



DAVID PETRICK

years, the jobless rate has rarely fallen below the 5 percent rate of the 1950's and 60's, while the wage gap has increased throughout this period. Only in the past two years has the unemployment rate dropped into the 4-percent-plus range, and only then have real wages for the bottom half of the working population begun to rise, closing the wage gap to some extent.

Galbraith, a liberal economist, criticizes the last three Fed chairmen — Arthur F. Burns, Paul A. Volcker and Alan Greenspan — for promoting the monetary policy that has generated low American growth and a widening wage gap. But it is Greenspan, a conservative Republican, who has done the most to close the gap in recent years by permitting more economic growth. Greenspan has consistently fought inflation hawks who insisted inflation would rise if the unemployment rate dropped below 6 percent. Of course the unemployment rate is now below 5 percent without triggering inflation.

Greenspan has justified his policies by arguing that globalization and information technologies have tended to boost productivity and curb the pricing power of corporations, thus permitting faster growth without inflation. Over the past 24 months of what traditional economists would call "above trend" economic growth, tight job markets have allowed the wages of the bottom tenth of the labor market to rise faster than those of the top tenth. Galbraith's broad attack against the Fed's long obsession with fighting inflation fails to note what can only be called the heroism of Greenspan in battling conventional economic wisdom. That is a lot more than can be said for Michel Camdessus, the head of the International Monetary Fund, a man who is not a player in "Created Unequal," but who would probably be the villain of any sequel that Galbraith might choose to write on the trou-

bles of the global economy.

After decades of solid growth and impressive government guidance, Asia's private sector came down with a classic case of economic hubris in 1997. Reading rave reviews of their marvelous performance in the Western press — and believing it — Korean, Indonesian and Thai business people borrowed huge sums of short-term capital from willing American, European and Japanese lenders. They built too many office buildings and too many factories, creating an enormous overcapacity not only for their own economies but for the world as a whole.

Western lenders, perhaps reading the same reviews of Asian capitalism, lost their heads too. They stopped pricing any kind of risk into their loans and started charging Korean and Thai conglomerates the same interest rates as their best customers. Sometimes even less. Unfortunately, while their best customers were making big profits at the time, the Asians were not. Indeed, following the Japanese model, few big Asian companies were making any profits at all. Instead, they were all just trying to take more market share in the global economy by building more capacity. It ended badly on one July 1997 day in Thailand when a currency crisis broke out and spread with lightning speed throughout Asia.

Enter the I.M.F. Camdessus and the I.M.F. read the Asia situation as just another example of too much government profligacy. It had seen this time and again, most recently in Latin America in the 1980's. The I.M.F. prescription? Tight monetary and fiscal policies. Interest rates had to rise sharply and government spending had to be cut significantly.

Sounds good. The only problem was that Asian governments had been very conservative, balancing their budgets. Savings rates in Asia were high by West-

ern standards. By pursuing a tightening policy, the I.M.F. created a credit crunch that erased the demand of millions of middle-class buyers of goods and services on world markets, sent commodity prices plummeting, etc. If oil prices hadn't fallen, would the Communists be knocking on the government door in Moscow? Not likely. If demand for high-tech goods had not disappeared, would the profits and stocks of Silicon Valley companies be a lot higher today? You bet.

The I.M.F. has made the same kind of monetary policy mistake that the Fed made in the late 1920's — tightening when it should have been loosening. World demand has to be stimulated through public works spending and lower interest rates. Indeed, this is critical not only for Asia but for America as well. A credit crunch is now developing in the United States, thanks to the Asian crisis.

Which brings us back to Galbraith's point: monetary policy can be too tight and threaten growth, jobs, income and perhaps even democracy. Had his book come out in 1997, before Greenspan began changing monetary policy, his arguments would have had greater force with regard to the United States. Yet Galbraith's arguments still carry weight when viewed on a global scale.

All the more pity that "Created Unequal" is so poorly written. One must wonder what the editors at The Free Press were doing when Galbraith's book came across their desks. But the author, the son of the economist who brought so much accessibility to economic theory to so many millions, must also take some responsibility. If his goal is to change policy in order to help millions of people, then the conversation must be open to more than a handful of academics. The debate over monetary policy is too important to be buried in jargon and left to the experts. □

Bruce Nussbaum is the editorial page editor of Business Week.

THE WHITE HOUSE
WASHINGTON

DATE: 12/07/98

NOTE FOR: Mr. Mark Penn

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

Information ☒

Action ☐

Thank you.

Staff Secretary
(x6-2702)

cc:

THE PRESIDENT HAS SEEN

12-7-98

CJS

A Party So Happy It Could Burst

By ADAM NAGOURNEY

THERE were cheers in the White House when this year's election returns came in. Across Capitol Hill and across the nation, Democrats seized on the results — five new seats in Congress, the toppling of some of the nation's most conservative Senators, a few gains across the South — as if they were the first signs of spring.

The reaction was, in retrospect, peculiar, for two reasons: The first is that the Democratic Party has arguably not undergone the kind of rejuvenation that some of its leaders discerned in the results of Nov. 3. And the second is, even if it has, there are good reasons why its leaders might not want to get too excited about it.

If there is one recurring lesson in American politics over the past decade, it is that few things are more hazardous than success. Politicians are forever ignoring history, claiming mandates that voters never intended and then paying a price for their miscalculation.

It took President Clinton almost two years to recover from his failed effort to persuade Congress to adopt a national health care plan, inspired by the exuberant reaction the idea got when he broached it in New Hampshire in 1992. The seeds of Speaker Newt Gingrich's demise were planted when he and the Republicans won control of Congress in 1994 and confidently proceeded to overplay their hand.

Compared with Mr. Clinton in 1992 and Mr. Gingrich in 1994, the Democrats have clutched at a slender reed this time: Mr. Clinton and Mr. Gingrich defeated real opponents, while the Democrats merely beat expectations, doing better than the Republicans said they would. Still, Democrats across the country were talking last week about a new, post-Gingrich political paradigm: the decline of the right and the ascendancy of a new Democratic center.

"We, the Democrats, are changed for the next decade, for the better — It took us 10 years to learn the lesson," said Charles E. Schumer, the New York Democrat who upset Senator Alfonse M. D'Amato in one of the contests that most cheered the party.

Al From, president of the Democratic Leadership Council, a centrist group closely identified with President Clinton, described the vote as nothing short of a political coming of age. "The Clinton-New

Leadership Council, a centrist group closely identified with President Clinton, described the vote as nothing short of a political coming of age. "The Clinton-New Democrat redefining of the center has finally taken hold," he proclaimed.

It will probably take another election cycle or two to judge whether Mr. From and Mr. Schumer are correct about the ideological remaking of their party.

Other Democratic leaders, however, have a different interpretation of the election. And the contrasting views augur a resurgence of the ideological dissension that Bill Clinton managed to quiet in 1992 to become President.

In 1992, Mr. Clinton took advantage of the fact that the Democrats had been out of the White House since 1980 and were thus starved for victory. He could largely ignore liberal Democratic constituencies and move to the center, where, as he liked to say back then, elections are won. Mr. Gingrich's success in 1994 helped silence the Democrats' liberal wing again: In that atmosphere of Republican triumph, it was hard to persuasively argue that the path back to power was on the left.

Rumblings on the Left

But last week it was possible to argue just that. In an interview, the Rev. Jesse L. Jackson declared, with considerable justification, that the Democratic Party had succeeded because its traditional constituents — blacks, women, union members — had come back to the polls. The election was proof, Mr. Jackson said, in a swipe at Mr. Clinton and his supporters, that the party had made a mistake with what he described as the "push away from labor, push away from blacks" approach.

"In 1998, we put all our players back on the field again — labor, women, blacks, Hispanics, businesses that have benefited from growth — and with our full team we won," said Mr. Jackson. He added that he was thinking about running for President again. And he said he would push the party to embrace universal health care and to funnel money from criminal justice into school construction. "I intend between now and the year 2000 to force the party leader-



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Agence France-Presse
nessee, Bob Inglis of

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have spoken, pragmatic at the committee find its inquiry.

ard-line conservatives mmittee has always ideologically divided impeachment inquiry up the tensions and 's very little middle nittee," sighed Rep-

s, a moderate Con- on the panel. Republicans seem ish on and charge oining the nation's

ship to come to grips with those issues," Mr. Jackson said.

Democrats who have been trying to moderate their party's course and who took the election as a testament to their success said they were unconcerned by such remarks. Still, it was clear from their comments last week that they would like to avoid a reprise of the Democratic infighting that has buoyed Republicans in the past.

"Our constituencies are all too familiar with the liabilities of being out of office," said William Carrick, a Democratic consultant based in Los Angeles. "They would much prefer to be somewhat disappointed by office holders occasionally than be in love with a bunch of people who weren't in office."

Outlook Iffy

Mr. From, who has enjoyed less than warm relations with Mr. Jackson over the years, said: "I just don't see a constituency for massive spending. It doesn't mean people aren't going to be out there calling for it."

The display of Democratic self-confidence — some Democrats are even predicting the party will take back the House in 2000 — would be risky even if the party had enjoyed an extraordinarily successful election night. But it did not. The Republicans continue to control both houses of Congress. They hold most governorships.

And for the Democrats the outlook for the 2000 Presidential election isn't all that great. The Democrats' main contender, Vice Pres-

**Democrats are upbeat
over the election but
disagree on why.
Maybe they shouldn't
be so upbeat.**

ident Al Gore, is, like Mr. Clinton, under investigation for campaign finance abuses, an inquiry that shows no sign of going away anytime soon. If nothing else, the scrutiny means that Mr. Gore is unlikely to reprise

some of the more innovative, and effective, methods the Clinton White House came up with to raise and spend money in the 1996 Presidential campaign.

And both Mr. Gore and his main rival, Representative Richard A. Gephardt of Missouri, the House Democratic leader, are familiar figures in American politics by now — perhaps too familiar to voters ready for a change.

In any case, Democrats are taking heart from exceedingly modest gains. They managed not to slip below 40 seats in the Senate and give the Republicans a filibuster-proof majority. While they won a gubernatorial election in California, they lost in Texas, Florida, Illinois, Michigan and New York.

And Democratic gains this time came largely because of Republican missteps. It was the Republicans, after all, who allowed expectations to rise so high that even a modest Democratic showing was portrayed as a triumph. "I didn't notice this election as having been notable — except notable for how much the Republicans overestimated," said Senator Daniel Patrick Moynihan, the New York Democrat.

And it was the Republicans who decided, at the last minute, to shift the focus to Mr. Clinton's morals. That was, even Republicans now say, a political miscalculation of the highest order. "The joke here is that Republicans tried to turn it into a referendum on the President, and the President won," said Stuart Stevens, a Republican consultant.

But even as Mr. Stevens was speaking, Republicans were pushing ahead with impeachment proceedings in Washington. "The Republicans seem to be digging themselves in ever deeper," said Arthur M. Schlesinger Jr., the historian. "I would think the one thing they learned from the election is it is a great mistake to extend the impeachment process. But they seem to have the bit between their teeth on that."

If that is the case, then it might not matter how much skirmishing the Democrats do in their moment of almost-victory. The Republicans might help them out again.

12-7-98

GMA S

How much \$ in this?
Can we do it?

Bc

MIGUEL D. LAUSELL
ATTORNEY AND COUNSELOR AT LAW
HATO REY TOWER
MUÑOZ RIVERA AVE., SUITE 1103
SAN JUAN, PUERTO RICO 00918

P. O. BOX 191803
SAN JUAN, PUERTO RICO 00919-1803

TELEPHONE: 787/759-6331
TELEFAX: 787/759-6205

HAND DELIVERED

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December 1, 1998

The Honorable William Jefferson Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

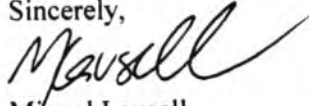
The Conservation Trust of Puerto Rico needs your help with an important Fiscal Year 2000 budget proposal. This proposal provides the Trust with a portion of a recommended increase in the rum excise tax cover over payments to Puerto Rico, and it is critical to the continued conservation of the bio-diversity of the Caribbean.

The Administration's FY '99 budget included the proposal. Despite bipartisan support in the Congress, the proposal was ultimately not included in the scaled-down tax package Congress passed in October.

Congress can address the cover over proposal in the anticipated 1999 tax bill. Recently, Treasury received word that Senator Moynihan wants the Conservation Trust cover over proposal addressed next year in this tax bill. I urge you to signal your support again for the Trust funding proposal by including it in your Fiscal Year 2000 budget submission.

As you know, the Trust has a special relationship with the federal government. Established in 1968 by the Department of the Interior and the Commonwealth of Puerto Rico, the Trust's sole mission is to protect and enhance the natural resources and cultural heritage of the Island. The Trust's acquisition work in Puerto Rico represents 80% of all land acquired for permanent conservation over the last 20 years. Despite the Trust's efforts, only 5% of the island is under some protection. Unfortunately, the Trust lost 80% of its funding when portions of the section 936-tax credit were repealed in 1996.

Mr. President, please include the cover over proposal with the earmark for the Trust in your Fiscal Year 2000 budget submission.

Sincerely,

Miguel Lausell

Cc: Honorable Vice President Al Gore
Honorable Bruce Babbitt
Honorable Jacob J. Lew
Honorable George Frampton
Honorable Mickey Ibarra
Honorable Fred Duval

THE PRESIDENT HAS SEEN
12-7-98

Sincerely

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letter - discussing
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THE WHITE HOUSE
WASHINGTON

May 26, 1998

Mr. Sam A. Danou
1251 Fort Street
Trenton, Michigan 48183

Dear Sam:

Thank you for your letter. I'm glad to hear about your proposed foreign trade zone project in Israel.

I share your concerns about the human tragedy in Iraq in the wake of the Gulf War. Saddam appears willing to starve his own people rather than comply with U.N. resolutions. The United States actively supports Security Council resolutions that allow Iraq to sell oil to meet its humanitarian needs, including buying food and medical supplies. This oil-for-food effort helps feed the Iraqi people without giving Saddam access to the funds.

I have forwarded your request for a meeting to my scheduling office. I appreciate your continued input.

Sincerely,

Bill Clinton

SAM A. DANOU

May 5, 1998

The Honorable Bill Clinton
President of the United States
1600 Pennsylvania Avenue
Washington, DC 20500

Dear President Clinton,

It was a pleasure meeting you a couple of weeks ago at the Sheraton-Carlton Hotel. My apologies that I could not attend all activities planned for the weekend. I had to come back to Detroit as my business required so.

Mr. President, I know your schedule is very demanding, but there are two important issues that I request I meet with you to fully discuss. Below are the short outlines for my meeting.

1.) About two months ago and by invitation of the Mayor of the City of Ashkelon, I traveled to Israel. Mayor Benny Vaknnin asked If I would intervene on their behalf to ask our administration to ask their administration to allow an establishment of a foreign trade zone in or near their city boundary. This is viable since Ashdod Seaport is within close proximity to this City. This small Israeli City has undertaken many tourist attraction projects as a way for economic developments, and jobs. A foreign trade zone project would help immensely for the future viability of that region since they are on the water front of the Mediterranean Sea and near Gaza at the same time. It is my sincere belief that such a project is detriment to this small upcoming warm people community. It is my desire to assist in that development which require the blessing of the Israeli Government.

2.) The second issue is regarding the starving people in Iraq. It is an issue that I have worked on for several years and still going.

As you know, despite important efforts to allow increased shipments of humanitarian aide to the country, the problems of disease, famine and human decay are still largely unresolved.

My contention has always been a simple one; regardless of our nation's relationship with the current government of Iraq, a starving people deserves help. I know you share this view and I thank you again for all you have done in this regard.

President Clinton
Page 2
May 5, 1998

Now, I ask you to consider what I believe to be the next natural step in the continuing effort to ensure the survival of the Iraqi people.

This past week, I have spoken to both Congressman Joe Knollenberg (R-MI) and Chairman Sonny Callahan (R-AL) regarding the possibility of arranging a bipartisan Congressional mission to Iraq, made up of Members from the House Foreign Operations Sub-Committee, for the purpose of seeing the situation firsthand.

It is my belief, shared by Chairman Callahan, that such firsthand up close knowledge of the conditions of the country and people would be useful to Members of the Sub-Committee as they deal with the situation in Iraq in the weeks and months ahead.

Mr. President, here I would suggest no policy or political agenda. Quite to the contrary, it is my hope the trip would not be a high profile endeavor since such an approach would dilute the unique opportunity Members would have to evaluate the situation for themselves and make up their own minds. Also, there might be the ancillary benefit that such a trip would prove useful by way of improving relations between the two countries in the future.

My conversation with both Congressmen indicate they strongly support the idea. However, Chairman Callahan properly defers to your direction on such issues and would require the Administration's support before moving forward.

Mr. President, I would ask you to seriously consider this request. I understand you have many issues before you and your leadership in the area of humanitarian assistance for Iraq is deserving of the highest praise. It is my hope, consistent with your past efforts in this area, you would support a bipartisan Congressional mission to Iraq and communicate such support to Chairman Callahan.

I appreciate your consideration of my request. I hope to meet with you soon.

Sincerely,

Sam Danou

THE PRESIDENT HAS SEEN

12-7-98

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THE WHITE HOUSE

WASHINGTON

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December 4, 1998

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM:

SAMUEL BERGER

MELANNE VERVEER

Sam Berger
Melanne Verveer
for MW

SUBJECT:

Eleanor Roosevelt

Award for Human

Rights and Recommended Awardees

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Purpose

To seek your approval of the Eleanor Roosevelt Award for Human Rights; and to seek your approval of the four recommended recipients.

Background

Next week will mark the 50th anniversary of the Universal Declaration of Human Rights (UDHR), the UN General Assembly declaration affirming a universal standard of human rights and fundamental freedoms.

As you know, Eleanor Roosevelt was the driving force behind the Declaration. To honor her contribution in this anniversary year, and to reaffirm our commitment to the principles of the Declaration, the Secretary of State recommends that you direct the establishment of the Award. We concur in this recommendation and, under separate cover, Staff Secretary is preparing for your signature a Presidential memorandum on this issue.

Based on recommendations of the Secretary of State, the Award would be presented annually to no more than five U.S. citizens for leadership and activism on behalf of human rights at home or abroad.

We expect that you will present this year's Awards at a White House event on December 10. Although we have yet to receive a formal submission from Madeleine, we expect she will recommend

cc: Vice President
Chief of Staff

that you present the Award to the following four distinguished U.S. citizens, whose biographies are attached. We concur in these choices.

- Representative John Lewis, for his life-long commitment to civil rights.

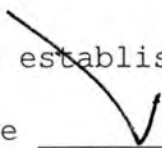
- Bette Bao Lord, human rights activist, China scholar and novelist.

- Robert Bernstein, founder of the Fund for Free Expression as well as Human Rights Watch; retired Chairman of Random House.

- Dorothy Thomas, women's rights activist who has done ground-breaking research and advocacy on issues relating to violence against women.

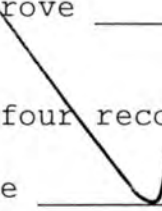
RECOMMENDATION

That you agree to the establishment of the Award.

Approve  _____

Disapprove _____

That you approve the four recommended awardees.

Approve  _____

Disapprove _____

Attachment

Tab A Biographies

JOHN LEWIS

FOR FORTY YEARS JOHN LEWIS HAS BEEN AT THE VANGUARD OF CIVIL RIGHTS ACTIVISM IN THE UNITED STATES. AS A LEADER OF ORGANIZATIONS LIKE THE STUDENT NON-VIOLENT COORDINATING COMMITTEE AND THE VOTER EDUCATION PROGRAM, AND LATER AS A MEMBER OF THE ATLANTA CITY COUNCIL AND THE U.S. HOUSE OF REPRESENTATIVES, HE HAS HELPED EDUCATE AND MOBILIZE GENERATIONS OF YOUNG AMERICANS IN THE CRUSADE AGAINST INJUSTICE. THROUGH HIS LEADERSHIP OF AND PARTICIPATION IN SIT-INS, FREEDOM RIDES, PROTEST MARCHES AND VOTER REGISTRATION DRIVES IN THE 1960S, HE CAME TO SYMBOLIZE THE COURAGE AND DEDICATION OF THOUSANDS OF ACTIVISTS FIGHTING FOR EQUAL PROTECTION AND EQUAL RIGHTS UNDER THE LAW. HE SUFFERED MORE THAN FORTY ARRESTS, PHYSICAL ATTACKS, AND SEVERE INJURIES, YET NEVER ONCE DEVIATED FROM HIS FIRM COMMITMENT TO NON-VIOLENT DIRECT ACTION. WE HONOR HIM TODAY FOR HIS UNCOMPROMISING HEROISM IN THE FACE OF BIGOTRY, HATRED, AND VIOLENCE, AND HIS UNSWERVING COMMITMENT TO THE PRINCIPLES OF THE UNIVERSAL DECLARATION OF HUMAN RIGHTS.

Born outside Troy, Alabama in 1940, John Lewis grew up on a tiny family farm without plumbing or electricity. The first member of his family to graduate from high school and later college, Lewis has been a Member of Congress since 1981.

Yet describing John Lewis as an American success story fails to capture the life of one of the more remarkable individuals of this century. As a young man, Lewis was determined to become a preacher. At age fifteen, he discovered Martin Luther King, Jr., who was then only beginning his own efforts on behalf of human rights. After graduating from high school, Lewis traveled to Nashville to study at the American Baptist Theological Seminary. He soon discovered the Highlander Folk School, where he studied the principles of Gandhian nonviolence and met civil rights pioneers like Diane Nash and Septima Clark.

In the summer of 1960, Lewis began to help organize some of the earliest sit in campaigns in Nashville, Tennessee. Over the next two years, he helped transform the face of Nashville by leading sit-ins that desegregated churches, department stores, libraries, restaurants, theatres, and other establishments. As one author later noted, "he [marched] through Nashville's yellow pages." In 1961, he volunteered to help lead the Freedom Rides, a campaign to desegregate interstate bus service. For his efforts, Lewis was beaten by an angry mob.

Similar efforts by other students throughout the American South led Lewis and other students to form the Student Non-violent Coordinating Committee (SNCC), which soon became one of the nation's most influential civil rights organizations. By 1963 – as the 23 year-old chair of SNCC – Lewis already was one of the nation's most prominent civil rights

activists. That year, he helped organize the historic "March on Washington," at which he was a keynote speaker. In 1964, he helped coordinate SNCC-led voter registration drives and community action programs during the Mississippi Freedom Summer.

In 1965, Lewis turned his attention to the community of Selma, Alabama, where he helped organize efforts to register African-American voters. As part of that campaign, leaders organized a march to the state capitol of Montgomery to demand the right to vote. On Sunday, March 7, Lewis and Hosea Williams led 525 men and women across the Edmund Pettus Bridge, where Alabama state troopers halted the marchers and ordered them to return to their homes. When the marchers held their ground, the troopers attacked with nightsticks and tear gas. Lewis and several other protesters were severely beaten in what became known as "Bloody Sunday." The courage of Lewis and other marchers in the face of such violence served as the impetus for the passage of the Voting Rights Act.

After leaving SNCC in 1966, he remained active in the movement through his participation in the Southern Regional Council's voter registration programs. Lewis later became Director of the Voter Education Project, which, under his leadership, added nearly four million voters to the rolls.

In 1977, President Jimmy Carter appointed Lewis to direct the more than 250,000 volunteers of ACTION. In 1981, Lewis was elected to the Atlanta City Council. In 1986, Lewis won election to the U.S. House of Representatives, where he represents Georgia's Fifth Congressional District. During his twelve years in Congress, Lewis has drawn praise for his continued commitment to the principles of civil rights and human justice.

BETTE BAO LORD

Bette Bao Lord (democratic rights, novelist, human rights)

Bette Bao Lord is a novelist and human rights activist, who has dedicated her life to the pursuit and defense of liberty. She currently serves as Chairman of Freedom House, an organization founded over fifty years ago by Eleanor Roosevelt, Wendell Willkie, and other Americans concerned with threats to peace and democracy.

Mrs. Lord is an active campaigner for political rights and civil liberties worldwide. At age eight, she emigrated with her family from Shanghai to the United States. Mrs. Lord returned to China as wife of Ambassador Winston Lord and served as CBS News consultant during the June 1989 Tiananmen Square protest.

Mrs. Lord has bridged communities, bringing together democracy and human rights advocates, political leaders of different parties, non-governmental and governmental players, and citizens groups from different countries. Non-partisan and broad-based, Freedom House is led by a Board of Trustees composed of leading Democrats, Republicans, and independents; business and labor leaders; former senior government officials; scholars; writers; and journalists. All are united in the view that American leadership in international affairs is essential to the cause of human rights and freedom.

Freedom House is a clear voice for democracy and freedom around the world. Under Mrs. Lord's leadership, Freedom House has expanded its reach, strengthened its previous programs, and broadened its support. Every year, Freedom House publishes *Freedom in the World*, a comparative assessment of the state of political rights and civil liberties in 191 countries; *Press Freedom Survey*, a country-by-country, worldwide assessment of press freedom; and *Nations in Transit* a comprehensive report on the status of the political and economic reforms in the emerging democracies and transitional countries of Eastern Europe and the former Soviet Union. In addition, Freedom House publishes *Freedom Review* reports on important domestic and foreign policy issues and publications from its Center for Religious Freedom, which reports on the religious persecution of individuals and groups abroad.

The legacy begun by Eleanor Roosevelt and other founding members of Freedom House continues. Over the past decades, Freedom House has been a vigorous proponent of democratic values and a steadfast opponent of dictatorships of the far left and the far right: in Central America and Chile, apartheid in South Africa, the suppression of the Prague Spring, the Soviet invasion of Afghanistan, genocide in Bosnia and Rwanda, and the brutal violation of human rights in Cuba, Burma, China, and Iraq. It has championed the rights of democratic activists, religious believers, trade unionists, journalists, and proponents of free markets. In the words of President Clinton, "For more than fifty years, Freedom House has been a voice for tolerance and human dignity. People all over the world are better off because of your work."

Mrs. Lord is the author of *Legacies*, *A Chinese Mosaic* (on *Time* magazine's 1990 ten best non-fiction books list), *Spring Moon* (*New York Times* bestseller list for seven months), *Eighth Moon*, published in fifteen foreign language editions and *In the Year of the Boar and*

Jackie Robinson, recipient of the American Library Association Award. *Spring Moon* is about a family saga set against a backdrop of the cultural and political upheavals that have taken place in China over the past century. Mrs. Lord originally planned to write non-fiction, but later decided to write a historic novel instead, fearing that her relatives in China might otherwise suffer reprisals because of the Cultural Revolution. She appears frequently on national television news programs, such as *The Lehrer News Hour*, *Face the Nation*, *Larry King Live*, *20/20* and others, and has contributed essays to *Newsweek*, *USA Today*, and other domestic and international periodicals.

ROBERT BERNSTEIN

Robert Bernstein has devoted his life to the active defense of freedom of expression and to the protection of victims of injustice and abuse throughout the world. Throughout his career, human rights has been his guiding passion. As Chairman, President, and Chief Executive Officer of Random House, Mr. Bernstein has given voice to persecuted individuals and minorities and has defended authors throughout the world from attempts to silence them or otherwise restrict their right to free expression. Since the early 1970s, he has worked inexhaustibly for the cause of human rights, and has founded, led, and inspired an array of human rights organizations in the United States. Twenty years ago, Mr. Bernstein founded Human Rights Watch, now one of the largest and most effective human rights advocacy organizations in the world.

Mr. Bernstein rose from office boy at Simon & Schuster in 1946 to current Chairman, President, and Chief Executive Officer of Random House, Publisher-at-Large with John Wiley & Sons, and publishing consultant to the New York Public Library and the American Museum of Natural History.

In 1971, Bob Bernstein visited the Soviet Union as part of a publishing delegation traveling to encourage Soviets to join the International Copyright Convention. Through his interpreter and guide, dissident Anatoly Shcharansky, Bob Bernstein learned about the general atmosphere of suppression and about the courage and principles of Andre Sakharov and others. On the strength of his convictions, Mr. Bernstein refused to do business with the Soviet Union, and instead began publishing the works of repressed writers. Random House became publisher of many banned works from all over the world. Among the writers Bob Bernstein published over the years were: Andrei Sakharov, Elena Bonner, Natan Sharansky, Vaclav Havel, Jacobo Timerman, Lev Kopelev, Andrei Amalrik, Roy and Shores Medvedev, Vasily Aksyonov, and Wei Jingsheng. As Mr. Bernstein once explained, "It was their only voice to the outside world."

Following his early trip to the Soviet Union, Bob Bernstein urged the Association of American Publishers (AAP) to use the occasion of the signing of a "publishing protocol" with the Soviet Union as leverage for the release of Soviet writers imprisoned for expressing their thoughts. From this debate and conflict among publishers, arose a new committee within the AAP, the International Freedom to Publish Committee (IFTPC), initially with Mr. Bernstein as its head. The IFTPC functions as the AAP's moral conscience and human rights arm. In 1975, Bob Bernstein also founded the Fund for Free Expression (FFE), an independent human rights group which included many well-known U.S. writers, such as E.L. Doctorow, Anthony Lewis, Toni Morrison, and others concerned with free expression issues.

In 1978, Bob Bernstein received a two-year Ford Foundation grant to set up offices for Helsinki Watch. The organization was part of the follow-up to the 1975 Helsinki Accords which linked peace and economic cooperation with human rights. Helsinki Watch was created as a citizens group to monitor human rights abuses in the Soviet Union and Eastern Europe and offer moral support to persecuted colleagues elsewhere and publicize their plight.

In 1981, Bob Bernstein created Americas Watch and later additional Watch Committees to cover every region of the world – Helsinki, Americas, Asia, Middle East, and Africa. IN 1987, Mr. Bernstein established and became the chair of Human Rights Watch, the parent organization linking the various watch committees. A few years later, three thematic projects were added on women's rights, children's rights, and arms transfers. Under Bob's leadership, Human Rights Watch has grown from a small group of concerned citizens with an annual budget of \$200,000 to a large professional organization of over 100 people dealing with more than 70 countries and a yearly operating budget of 12 million dollars.

Human Rights Watch has become widely known for its documentation of abuses and its hard-hitting advocacy in the press and with governments. It has been a pace setter within the human rights movement, pushing the boundaries of its mandate to include violations of the Geneva conventions by governments and guerilla groups, and to focus on specific categories of rights, such as women's rights, children's rights, gay and lesbian rights.

Bob Bernstein has received numerous honorary degrees and awards in recognition of his accomplishments. In addition to the organizations he himself has founded, Mr. Bernstein serves on the boards of a number of human rights organizations and of foundations that support human rights. Among them are the Lawyers Committee for Human Rights, the International League for Human Rights, the International Helsinki Federation, Human Rights in China, the Robert F. Kennedy Human Rights Award, the Carter-Menil Human Rights Foundation, and the Aaron Diamond Foundation. He also serves as Chairman of the Association of Publishers, and on the board of the American Book.

As founder and director of the Human Rights Watch Women's Rights Division, Dorothy Thomas has not only advocated for the human rights of women, but has ever expanded the ways in which these rights are understood. Within the last decade, it was Thomas' advocacy that helped persuade the United Nations and the world that crimes against women such as forced prostitution and systematic rape were indeed "gross violations of fundamental human rights." From establishing a program to monitor and combat state-sponsored violence against women worldwide to augmenting the links between domestic advocacy groups and the international women's human rights movement, Thomas has proved an innovative and uncompromising achiever. Her publications on women's human rights issues cover regions as diverse as South Africa, Poland, Brazil, Kuwait, and the United States.

Presently Thomas has focused her concerns domestically, seeking to consider the lives of American women, and particular those involved in the American prison system, in light of international standards. "When you say 'human rights,' people think it applies only to women elsewhere," she says. "I'm obsessed with changing that." A two-time graduate of Georgetown University, Thomas has recently received the MacArthur Foundation.

THE PRESIDENT HAS SEEN

12-7-98

Give to
Metty for
POUS
to care
he
missed it.

India's Testing Issue

Ruling Party's Vote Losses Dim Hope That Nuclear Treaty Will Be Signed

By CELIA W. DUGGER

NEW DELHI, Dec. 3 — The Hindu nationalists who lead India's Government were trounced in state elections last week because of their failure to deliver on pocketbook economic issues. But the defeats, which weakened their already tenuous grip on power at the national level, are also likely to make it more difficult for them to sign the nuclear test ban treaty.

News
Analysis

The Hindu nationalists, who lead an 18-party coalition Government, would face heavy political criticism from militants in their Bharatiya Janata Party, as well as from their victorious opponents in the Congress Party, if India signed the test ban treaty without securing what could be sold at home as a good deal.

"To sign it is not an easy thing, especially for a Government which enjoys a paper-thin majority and has its own domestic problems," said Pramod Mahajan, a senior leader in the party. "The United States has to give something to this Government so it can say, 'Look what we got for it.'"

Since first India and then Pakistan conducted underground nuclear tests in May, India has engaged in long talks on nonproliferation and security issues with American officials, who felt betrayed by India's action and imposed economic sanctions on both India and Pakistan after the tests.

So far there has been no breakthrough despite more than 50 hours of discussions in seven diplomatic rounds between India's envoy, Jaswant Singh, and President Clinton's representative, Deputy Secretary of State Strobe Talbott. It is not clear that the eighth round, scheduled for January in New Delhi, will be any more productive.

Prime Minister Atal Behari Vajpayee is to address Parliament next week on the status of the talks with the United States and the negotiations on the test ban treaty, officials in his administration said today. Mr. Talbott spelled out the American position three weeks ago in an article he wrote for The Times of India.

The United States wants the Indians to sign the test ban treaty, to stop producing materials for nuclear weapons and to hold the development and deployment of nuclear-tipped missiles to the lowest possible levels, Mr. Talbott said.

The Indians want a complete lifting of economic sanctions and the freedom to develop what they term a minimum, credible nuclear deterrent, according to Brajesh Mishra, principal secretary and national security adviser to Mr. Vajpayee.

Since November Indian and Pakistani officials have been doing one thing the United States had requested of the adversaries, and that is to talk to each other in a series of formal meetings. But the meetings have yet to yield much fruit.

Nonetheless, Mr. Clinton recently lifted some of the sanctions on the two nations to reward them for steps they have taken to reduce tensions in the region. For instance, Mr. Clinton decided to allow American banks to lend money to their Governments.

But Mr. Clinton also exercised his discretion to lift more of the sanctions on Pakistan than on India — a step that angered leaders in both the Bharatiya Janata and Congress parties here and that may complicate future efforts to sell the test ban treaty.

The United States decided that Pakistan was such an economic basket case that the World Bank and the Asian Development Bank should be allowed to resume lending to it in hopes of restoring stability there, while such loans to economically stronger India should continue to be blocked.

"This discriminatory attitude creates an unhelpful atmosphere in India," Mr. Mishra said in an interview today. "And it creates problems for a smooth dialogue between India and the United States."

Mr. Mahajan, the Hindu nationalist leader who serves in Parliament, was less diplomatic about what he described as the unequal punishments meted out to the two countries. "If you made a law," he said "that you would hang someone for murder and then you say, 'I won't hang him because he's thin, but I'll hang him because he's strong,' what kind of law is that? A murder is a murder."

While Mr. Vajpayee may find that signing the treaty entails significant political risks, he is also in need of accomplishments that show he can govern effectively. His central political task in the coming months will be to win back the public's confidence

by bringing down the prices of onions, potatoes and tomatoes. Their high prices led to his party's devastation at the polls.

But his administration has also put its prestige on the line with the high-profile negotiations over nuclear issues with the United States. The political challenge for Mr. Vajpayee is to change the nature of the debate here on the test ban treaty. He has already said publicly that India learned enough from the nuclear tests in May to make further testing unnecessary.

But the treaty is still widely seen here as part of an unfair effort by the big nuclear powers to keep the rest of the world out of their club. Mr. Vajpayee has bitterly referred to the status quo before India tested as "nuclear apartheid."

His primary opposition, the Congress Party, opposed the test ban treaty when it was in power in the mid-1990's. Its position was that the nuclear powers should agree to a scheduled series of steps toward nuclear disarmament before India would sign.

Congress, which won three major state elections last week, has not taken a position on the treaty since the nuclear tests, but its leaders could depict a decision to sign as capitulation to American pressure.

"The Americans continue to say, 'We will unilaterally dictate the role of nuclear weapons in your defense strategy,'" said Mani Shankar Aiyar, spokesman for the Congress Party. "It becomes very difficult for any Indian government to put a signature on a piece of paper for something that the American Government wants that is not perceived to be for Indian security."

Mr. Mishra, Mr. Vajpayee's security adviser, said he still believed that the political obstacles to India's becoming a party to the test ban treaty can be overcome if his country's core security needs are met.

India has promised never to use nuclear weapons first, he said, but wants its adversaries to know that it would retaliate if nuclear weapons were used against India. To achieve that, he said, India needs the ability to develop missiles and the means to deliver them. So far, he said, the United States has not given India the room it needs to do so.

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Standy
What can we give
to get them to sign to not
nuclear status?

The New York Times

SATURDAY, DECEMBER 5, 1998

BK

Suharto Says His Millions Were Earned, Not Stolen

By The New York Times

JAKARTA, Indonesia, Dec. 4. — Suharto, the former President, who is being threatened with house arrest, has defended himself against charges of corruptly amassing a huge personal fortune with a simple answer: He is a good saver and landlord.

In a rare interview, published today in Dharmais, a Jakarta magazine, Mr. Suharto said \$3 million found in his local bank accounts was from his presidential earnings and rent earned from two houses. The magazine is run by a charity that he owned until last week.

Estimates of the wealth Mr. Suharto accumulated during a 32-year reign range up to \$40 billion.

Dharmais quoted Mr. Suharto as saying: "That money I collected and deposited in the banks, and every month it increased until it reached this amount of about 22 billion rupiah" — or \$3 million.

A Government official said today that the Attorney General could put Mr. Suharto under house arrest while an investigation into his wealth continues. The Attorney General, Andi Ghalib, said Mr. Suharto could be summoned for questioning next week.

Riot police officers and soldiers scuffled again today with student protestors trying to march on Mr. Suharto's residence and the presidential palace to press demands for his arrest and trial over corruption.

Diplomats say they consider it unlikely that Mr. Suharto will face corruption charges. They say President B. J. Habibie, a Suharto protégé, and the country's armed forces chief, Gen. Wiranto, would resist a trial.

Senior presidential advisers and the head of the governing Golkar Party in Parliament have declared that even if Mr. Suharto is tried and convicted on corruption charges, he will almost certainly be granted amnesty.

Faced with daily protests by thousands of students who have jammed traffic in the capital, Mr. Suharto turned over to the Government last week seven charity foundations valued at \$528 million, including the one that owns Dharmais.

The New York Times

SATURDAY, DECEMBER 5, 1998

THE WHITE HOUSE
WASHINGTON

December 5, 1998

MR. PRESIDENT:

We thought you would want to see
this letter from Rep. Rangel.
We have sent copies to Gene,
Bruce Reed, and Jack Lew.
We will prepare a reply for your
signature.

Sean Maloney 

THE PRESIDENT HAS SEEN

12-7-98

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THE PRESIDENT HAS SEEN

12-7-98

THE WHITE HOUSE

WASHINGTON

98 DEC 7 4:51:42

December 4, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN *js*
SUBJECT: MEETING WITH REP. RANGEL (D-NY)

*Call me to
Brew/G. Spulac*
js

The attached letter lays out Congressman Rangel's views about the need for renewed emphasis in the State of the Union on modernizing our public schools and bringing better educational opportunities to our urban young people. Directly connected to this need, in the Congressman's view, is the tragic waste of lives and resources associated with the huge current prison population. The Congressman calculates the cost of incarceration at \$24,000 per year per inmate and the cost of education at \$6,100 per year per student.

Congressman Rangel is a strong supporter of your class size and school modernization programs. But he appears to want to go further, proposing that we adapt the "empowerment zone" concept to bring businesses together with school districts to build newer, smaller schools that are more directly guided by the skills needs of the private sector. The Congressman's description of this initiative was not fully fleshed out, but our NDC people will be exploring the issue further with his staff. In addition, the Congressman will be arranging to have Hugh Price of the Urban League get in touch with me to discuss education further and to explore additional ways for you to engage productively on these ideas.

Also attached is the *New York Times* story to which the Congressman alluded. In addition, Greg Craig and I are pursuing the other suggestions the Congressman made.



HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

CHARLES B. RANGEL
15TH DISTRICT, NEW YORK

December 4, 1998

President William Clinton
The White House
Washington, DC 20500

Dear President Clinton:

With nearly 90 percent of our children enrolled in public schools, and our business sector increasingly hard-pressed to find the talent it needs to compete in the global economy, there is no question that education is our nation's most vital challenge. Despite the shrinking disparity in graduation rates among the races, no one is satisfied with the condition of our schools.

You could leave no greater legacy to our nation than a sound public school system. Indeed, you have been consistent since your first campaign for the Presidency, in underlining education as your number one priority. Foremost among Presidents, you have outlined for the American people the need to address aggressively the real problems in education.

I commend your recent success in working with your supporters in Congress to reduce class sizes by helping local communities hire 100,000 more teachers. However, much more remains to be done in fulfilling the mandate given us by the voters in the November 3rd election.

Today, 1.7 million Americans are locked behind bars. Seventy percent of them are illiterate, drug-addicted and unemployable. The annual cost to society in criminal justice and related costs alone are at least \$450 billion. If current trends continue, the United States will spend \$100 million per day to incarcerate individuals with serious drug and alcohol problems.

Hundreds of billions more are wasted in lost productivity due to the combined effects of bad education and poverty. Drug addiction, welfare, premature pregnancy, AIDS and related health problems are decimating our communities, destroying our families and weakening the nation.

President William Clinton
December 4, 1998
Page 2

Far too many Black youngsters who survive the pitfalls of drugs and crime through high school, armed with worthless diplomas, are still faced with the tragedy of long-term unemployment. Yet at least 40 percent of the achievement gap between racial and ethnic groups would disappear if poor and minority youngsters had access to teachers of the same quality as other students.

Reflecting policies that have favored incarceration over education, our national priorities remain grossly misplaced. In 1998, the national investment in education per pupil was \$6100, while the average cost of incarceration was \$24,000 per inmate. Overall, in the area of higher education, the states spent 30 percent more on prison budgets and 18 percent less on colleges in the years between 1987 and 1995.

In the 106th Congress, I am prepared to work with you, once again, to provide funding mechanisms to renovate and modernize our public schools, one-third of which are in serious disrepair. We must do more to extend the information superhighway through every neighborhood and every school. Additionally, we must work harder on those priorities that will make our schools work better, including expanded affordable child care.

Mr. President, I look forward to working with you in creating a legacy for our nation that can never be taken away and that will never be forgotten.

Sincerely,

CHARLES B. RANGEL
Member of Congress

CBR/em

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December 3, 1998, Thursday, Late Edition - Final

SECTION: Section B; Page 1; Column 2; Metropolitan Desk

LENGTH: 1676 words

HEADLINE: Wanted: A Permanent Home;
Plight of 2 Schools Shows Why Construction Is Slow

BYLINE: By JACQUES STEINBERG and JOHN SULLIVAN

BODY:

For more than a generation, West Side High School has been a nomad within the New York City school system, trying to teach 600 students while migrating from one temporary location in Manhattan to another.

At various turns, West Side was flush with promise that the city's school construction process would finally deliver a permanent home. But the outcome always seemed to embody the chronic problems of planning and building schools in New York City over the last two decades, a process characterized by dashed hopes, unanticipated problems and a lack of money.

In 1981, West Side moved from a converted synagogue to a turn-of-the-century elementary school scheduled to undergo a top-to-bottom renovation. But that school was condemned, and West Side had to evacuate.

In 1994, hope blossomed again when school officials budgeted \$44.3 million for a new West Side building. But the planned site was recently taken away from West Side and given to two other schools deemed to have more pressing needs, school officials said. So West Side's students continue to make do in the makeshift space they have occupied for five years: floors 7, 10 and 11 in a garment district office building, where long lines of teen-agers wait each morning to take a converted freight elevator to class.

"It makes us feel sometimes as if we were just a bunch of nobodies," said Maggie Hernandez, 18, a senior from the Bronx.

When the Board of Education released its latest five-year construction plan two weeks ago -- a plan that, pending city and state approval, would spend \$11 billion over the next five years -- the hopes were raised for hundreds of schools throughout the city.

But moving plans from paper to reality has often been difficult, as illustrated by the experiences

of West Side and those of another school, the High School of Telecommunications Arts and Technology in Brooklyn, a Gothic fortress built in 1912 that has been entrenched in a decadelong renovation.

In the five years since the board's last construction budget was approved, and long before, the story of building and repairing schools in New York has been constantly revised. Schools move onto the priority list, are bumped off and go back on as the system's needs shift -- one year it was emergency asbestos removal, another year the installation of hundreds of classrooms on trailers -- and its finances seem tethered to a yo-yo.

With seven months left in the current \$4.6 billion construction plan, school officials have completed only about a third of the major repair projects that they identified as priorities when the plan was initiated in July 1994.

And those that they will not be able to get to as they scramble to a finish -- representing at least \$1 billion in work -- are to be laid over into the next five years.

Part of the reason is money: over the last five years, the school construction budget was whittled from the \$7.3 billion that Schools Chancellor Ramon C. Cortines initially requested in 1993 to as low as \$2.9 billion by Mayor Rudolph W. Giuliani in 1995, only to be pumped back up by the Mayor and City Council since then.

But the delays also say much about the finger-in-the-dike nature of trying to maintain a system in which half the 1,100 schools were built before World War II, while also creating new space for as many as 20,000 new students each year.

Steven Sanders, the chairman of the State Assembly's Education Committee, said that while more money was needed, the stories of "one bungled job or another" raised serious questions about the city's School Construction Authority, which carries out most of the board's building program. He has scheduled hearings on the subject for this month.

"The central question is, has the School Construction Authority been equal to the task they have been charged with?" Mr. Sanders said. "We have to make a decision whether this agency is the best vehicle for funneling billions of dollars over the next five years."

But at West Side, as at Telecom in Brooklyn, the principals and students have sought to work around the system rather than wait for it to solve their problems.

When the halls and bathrooms in West Side's leased space at 35th Street and Eighth Avenue needed painting, the students, a number of them written off by previous schools, raised the money to buy the paint themselves. When there was no custodian to do the work, the students arrived on Sunday afternoons, brushes in hand. And when the board was slow to replace burned-out fluorescent light bulbs, the principal reached into his own pockets.

"Here we don't say petty cash," said the school's principal, Edward Reynolds. "We say 'Eddie

cash.' "

But industriousness can go only so far. Many of West Side's students, impatient with the school's sluggish elevator, take as many as 11 flights of stairs down to lunch each day. For some, it is their only exercise, because there is no gym, only a small room with two hotel-style universal weight machines.

And West Side's students are not the only ones who have been left wanting.

Renovations at Telecom began in 1990, intended to convert the old Bay Ridge High, an all-girls school, into a modern coeducational high school. Plans called for the upgrade of science laboratories that were installed before penicillin was discovered, the expansion of a library with shelves so immovable that oversize books have to be laid on their sides, and the replacement of wooden auditorium seats that still have holes for inkwells and are too cramped for boys six feet tall.

The work was to have been completed by 1993, for \$11 million. Now, the renovation has been extended until 2003, at a final cost that school officials estimate to be \$45 million. The reasons for the delays include shortfalls in financing, the removal of a contractor and architect who were ultimately deemed incapable and continual revisions in design -- problems that have plagued other projects citywide, but rarely on such a large scale.

With the problems at the school mounting -- a leaky roof was sprouting more holes, and wooden windows installed only in 1985 were rotting -- the principal, Charles Amundsen, and his assistant principal for operations, John Tuminaro, took their case to the political arena. Feeling that the project had been abandoned by 1995, they began lobbying Howard Golden, the Brooklyn Borough President; William C. Thompson Jr., the Brooklyn representative on the Board of Education who became its president in 1996, and Schools Chancellor Rudy Crew.

Each was led on a tour. What they saw was an architectural treasure, a tan-brick castle whose stained-glass windows, 15-foot ceilings and statue of Joan of Arc made it look as if it had been plucked from a European university campus and placed on the corner of 67th Street and Fourth Avenue.

But they also saw mind-boggling examples of ineptitude and neglect: a new air-conditioning unit for the auditorium that was left unplugged for five years because the supporting electrical work had yet to be done; a new television studio, a critical component of the school's mission, which had been partly built but had no equipment, and "the elevator to nowhere," which was brand new but had carried no passengers for three years because it had somehow been built to stop 18 inches above each floor.

"The contractor said, 'That's the way it is in the plans,' " said the principal, Mr. Amundsen.

Dr. Crew, who first visited the school soon after he became Chancellor in October 1995, acted swiftly,

the principal said, forming a task force to foster better communication among the school, the architects and the School Construction Authority.

By early last year, the school had its new roof. Soon after, the elevator was finally operational, its landings raised to bridge the gaps between floors. And in just two months last summer, every window in the sprawling building was replaced, a feat that Mr. Amundsen had predicted could never be done so quickly.

Interior renovations are to begin late next spring, and Mr. Amundsen says he now has real reason for hope.

"This school is a classic example of good and bad with the S.C.A.," Mr. Amundsen said. "I think, in a lot of ways, the S.C.A. has matured. I'm optimistic."

In one sense, there is cause to be: in 1996, 88 percent of the authority's projects were running behind schedule; last year, authority officials have said, the number of projects completed behind schedule was reduced to 33 percent.

But whether the project at Telecom will be finished completely and under its new timetable, by 2003, will hinge somewhat on whether it can avoid running out of money, as it did during the early 1990's.

The school system's last construction budget, passed in 1994, was for \$3.4 billion over five years -- a number that Mayor Rudolph W. Giuliani pared by \$500 million. Even though the money was eventually restored, dozens of projects like Telecom were derailed.

But for the five-year calendar beginning next summer, school officials have estimated that they will need \$11 billion to address most of their needs, and some of that money is far from assured.

While \$8.5 billion is reasonably secure, backed by direct financing from the city and state, the rest depends on less certain sources. They include long-sought reimbursements from the state that the board says it is owed and the largess of a Congress that has looked unfavorably on school construction.

If any of that money fails to come through, school officials said, projects will have to be shelved.

At West Side last week, Mr. Reynolds, the principal, was worried by reports from administrators that the new building promised to his school four years ago had been given to two smaller high schools now sharing space in other schools.

Though Mr. Reynolds was hopeful that yet another building would be built for his students, he still could not bring himself to look in the school board's construction plan for the next five years.

His fears were not ill founded. There is no money for West Side.

GRAPHIC: Photos: Students at West Side High School in a building once occupied by workers in the garment district have to take a slow, converted freight elevator to the 7th, 10th and 11th floors. Sgt. Henrick Martinez recently guarded the entrance. (Nicole Bengiveno/The New York Times); Construction delays at the Gothic-style High School of Telecommunication Arts and Technology in Bay Ridge, Brooklyn, have pushed the completion date of renovations to 2003 from 1993. Outdated classroom seats fill the auditorium, above. (Photographs by Linda Rosier for The New York Times)(pg B1); Edward Reynolds, the principal of West Side High School, and his students work around the system. When the hallways needed painting, the students raised the money to buy the paint. And then they did the painting. (Nicole Bengiveno/The New York Times)(pg. B8)

LANGUAGE: ENGLISH

LOAD-DATE: December 3, 1998



JAMES A. HARMON
PRESIDENT AND CHAIRMAN

EXPORT-IMPORT BANK
OF THE UNITED STATES

*Through
GPO
See*

December 1, 1998

98 DEC 4 PM 5:10

12-4-98

MS

To Burkhardt for reply?
Yes ☒ *No* ☐

The President
The White House
Washington, DC 20500

Dear Mr. President:

Thank you for including me in the recent summit meeting in Japan and Korea.

I was particularly pleased to reach agreement with the Korean Minister of Finance as to the Ex-Im Bank facility for medium-term transactions. This agreement will provide the basis for Ex-Im Bank support for \$3 billion of U.S. exports to Korea. Importantly, it shall include a significant acquisition of Boeing equipment for Korea Airlines - which would not have gone forward without Ex-Im Bank support and Korean consent to include the transaction in the facility.

It is interesting to note that we had been unable to reach agreement on this matter for several months. Traveling in your official delegation elevated the status of our discussion and thereby provided the catalyst for final agreement.

Visiting my counterparts in Japan was equally valuable to our work at Ex-Im Bank.

With best regards,

Sincerely,

Jim

P.S. I am quietly exploring how E-Im could provide support for exports to the Palestinian economy. I am also hopeful that we can find a way to do more for Central America.

Jeff

1998 DEC 7 AM 9:22

GREGORY W. CHANG
15455 S.E. 67th Street
Bellevue, WA 98006

12-7-98
Came in interoffice mail -
Send to Burkhardt

December 4, 1998

William Jefferson Clinton
President of the United States of America
The White House
Washington, DC 20500

Yes ☒
No ☐

Dear Mr. President:

I write to inform you that today is my last official day as the special assistant to Ira C. Magaziner. It has been the greatest honor and privilege to serve you, your Administration, and my country.

I first met you in February of 1992 at a rally in a high school gymnasium in Nashua, New Hampshire, the weekend before the primary. I spent that snowy weekend in New Hampshire knocking on doors and explaining to the people of New Hampshire why you should be our next president. Ever since that day, I knew you would be the one who would lead our country to prosperity and renew our hope and spirit.

After I graduated from Brown University in 1994, I worked in the White House for Ira Magaziner as an intern. In May of 1995, I left the White House and was one of the first to work on your re-election campaign. After the campaign, I worked on your Inauguration, served as an assistant to Secretary Federico Peña, and returned to the White House last January.

I dedicated the last four years to you and your Administration because I believe that you have the vision, leadership, compassion, and integrity to lead our country into the next millennium. You have helped create one of the most prosperous and peaceful times in our nation's history and the world looks to you for your great leadership.

I believe that every generation produces a leader that fundamentally transforms our culture and society. And if we are fortunate, we experience two great leaders in our lifetime. For my father, it was President John F. Kennedy and you. For me, it is you, and I hope one day someone that will challenge our human capacity and compassion as you have.

I am certain that when historians and future generations review the presidency of William Jefferson Clinton, they will conclude that you forever changed the Democratic party and our society for the better. You brought us together when we were coming apart.

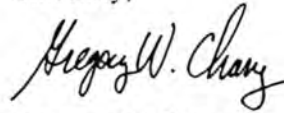
I leave my government service with great pride for my accomplishments, excitement for the future, but with sorrow. It is difficult to leave a White House where the staff is so strongly united behind your vision to change America.

Thank you for the wonderful opportunity to serve. In four short years, I have given you my

strength, energy, and commitment, but you have given me something far greater. You have given me a lifetime of memories, for which I will be eternally grateful.

I wish you, the First Lady, Chelsea and your family all the best. I only hope that one day I will be able to serve you again.

Sincerely,

A handwritten signature in black ink, reading "Gregory W. Chang". The signature is written in a cursive style with a large, stylized "G" and "C".

Gregory W. Chang

Marina G. → summary file

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THE WHITE HOUSE

WASHINGTON

December 4, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: LARRY STEIN ^{ZSS}
LISA KOUNTOUPES ^{lmk}

SUBJECT: MEETING WITH CONGRESSMAN MARION BERRY (D-AR)

(4) NISA Paul W. Jones
(5) Huchabee - E. Ash
CAPs - Black

Purpose

Congressman Berry is scheduled to accompany you on Air Force One during the return trip from Arkansas on Saturday, December 5. Congressman Berry would like to speak with you about a number of projects in Arkansas that he would like to see supported by the Administration next year or funded in the FY2000 budget.

Background/Talking Points

You should tell the Congressman that the Grand Prairie Army Corps project (#2 below) will be funded in the budget. Some of the other things he is asking the Administration for cannot be easily implemented and are against agency policy. On the rest, you should tell him that we will try to help, but avoid committing on any one project. Specifically he has six priority projects:

1. 10-15 Mile Bayous, St. Francis Basin Project (channel enlargement)

He is seeking \$11.5 million for project construction and a statutory change to the federal cost share requirements. The project was found to not be economically justified by the Corps and is not included in the FY2000 budget.

2. Grand Prairie Area Demonstration Project (agriculture irrigation)

He would like \$22 million in the FY2000 budget and approval to fund water supply and on-farm features as part of the project. This project will be funded in the budget, but not at the requested level. Due to the large number of corps projects that have been requested by the Administration and authorized by the Congress the available funding for each of the ongoing projects is reduced on an annual basis. Last year \$8 million was appropriated for this project.

3. Eaker AFB Archeological Heritage Center

He would like \$4 million for construction and \$1.1 million for rehabilitation in the FY2000 budget. This has not been authorized by congress. The National Park Service did not request funding for this project in the FY2000 budget.

4. Lonoke & White counties Water Project

He would like \$5.9 million in the FY2000 budget in the Corps budget for a water intake

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facility and \$41.6 million in the USDA budget for treatment and transmission facilities. The project has not been authorized by Congress yet. It would be a new start. Neither the Corps nor USDA requested money for it in the FY2000 budget. USDA does not usually do line items. There is a backload of USDA projects awaiting funding that have already met program criteria.

5. Arkansas State University Entrepreneurial & Trade Center

He would like \$1.755 million of FY1999 money reprogrammed within USDA to the Lower Mississippi Delta region which was authorized in the omnibus appropriations bill. USDA is not planning to reprogram money to this entity because it has other uses for the money in mind and the Delta is an independent entity. USDA believes that it already has significant programs that make funding available to that part of the country and does not believe there is cause to spend additional money in this way, which is not a specific agricultural use.

6. City of Batesville scenic corridor (road improvement)

He would like \$3 million in the FY1999 budget at the Department of Transportation. This is a highway project that has not been authorized by Congress. The Secretary has a discretionary pot for bridge funding but not for highway funding. There is a grant program for scenic byways that are awarded competitively.

Emergency FY1999 Omnibus Funding Allocations

The Congressman is also concerned that farmers who do not have crop insurance be treated fairly when allocations are made. He would like little difference between those who had crop insurance and those who did not. We would probably like some distinction. On this matter and others related to implementation of the emergency funding, we are awaiting recommendations from the USDA. No final decisions have been made.

Streamlining of Farm Service Agency (FSA) county offices

There is consideration being given to restructuring the offices in the FY2000 budget process. It is still an open issue. OMB believes some changes can be made without adverse affects on services.

MSA - Power Tools
- ~~Power Tools~~

THE WHITE HOUSE
WASHINGTON

December 5, 1998

MR. PRESIDENT:

Attached are the following weekly reports:

- (A) Weekly Economic Briefing
- (B) Interest Rate and Stock Market/Emerging Markets
- (C) NEC Report
- (D) DPC Report
- (E) CEQ Report
- (F) OSTP Report
- (G) Climate Change Report
- (H) Communications Report
- (I) Intergovernmental Affairs Report
- (J) Public Liaison Report
- (K) Cabinet Affairs Report
- (L) Political Report

Tab A - Yellen / Podesta

Tab C - Sperling / Podesta

Tab D - Reed / Kagan / Podesta

Tab G - Stew / Podesta / Burkhardt
(for reply)

Tab H - Lewis / Spector / Podesta

Tab I - Ibarra / Podesta

Tab J - Moore / Podesta

Tab K - Marshall / Balderson / Podesta

Tab L - Smith / Podesta

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

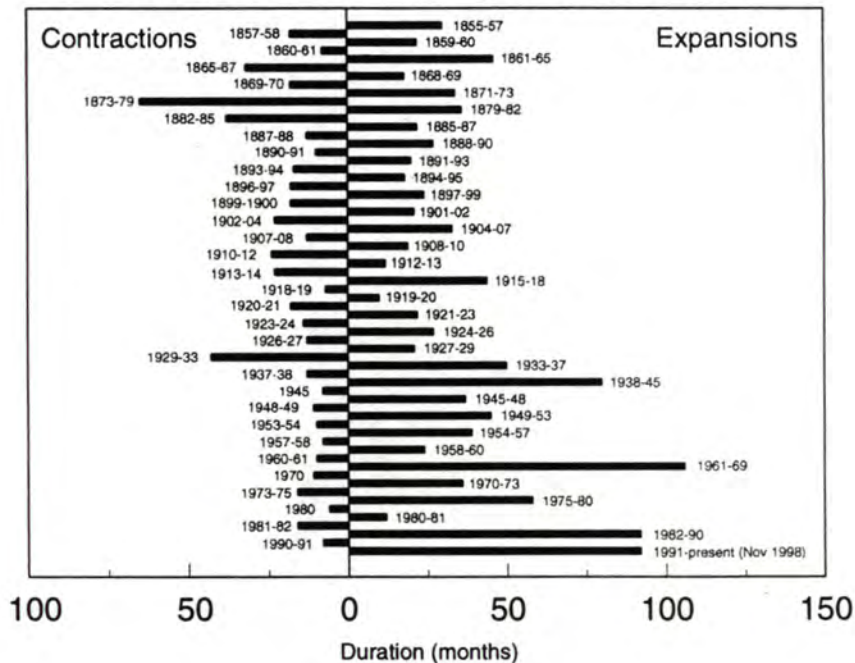
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

December 4, 1998

Copied
Yellen
Podesta

CHART OF THE WEEK

Duration of Business Cycles Since 1855



With today's news that payroll employment grew another 267,000 in November, it appears very likely that the current expansion entered its 93rd month in December. This would make it the longest peacetime expansion on record, based on National Bureau of Economic Research reference dates, which go back to 1854. The Kennedy-Johnson expansion of 1961-69 lasted 106 months.

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"I'm sorry, sir, but I don't believe you know us well enough to call us the Fed."

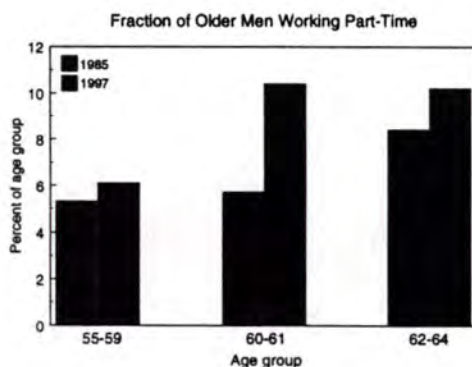
TREND

Labor Force Participation at Older Ages

It has been widely recognized that the labor force participation rates of older men have largely leveled off, after a long downward drift (see upper chart). Less widely recognized is the fact that the trend toward less work by older men continues, as more of them are now working part time rather than full time.



Male participation rates. Between 1948 and 1984 the labor force participation rate of men aged 65 and older dropped from 46.8 percent to 16.3 percent. The rate in 1997 was a slightly higher 17.1 percent. Among men aged 55 to 64, the decline began later, but shows a similar flattening out, with the rate in 1997 (67.6 percent) roughly the same as it was in 1985 (67.9 percent).



The changing character of participation. Although the fraction of men aged 55 to 64 in the labor force has been roughly constant, the proportion of this age group working part time has increased, especially among those in their early 60s (see lower chart). The population of men aged 55 to 64 also contains a rising share of pension recipients who continue to work after "retiring."

Factors encouraging part-time work. The part-time wages of older men have risen relative to those of younger men since 1980. In addition, the growth of the service sector, where jobs are less physically demanding and have more flexible schedules than in manufacturing, makes work at older ages more attractive than in the past. Employers also may be more willing to hire older workers in today's tight labor market. Finally, the shift away from defined-benefit pensions, which often provide strong incentives to retire at a certain age, and changes in Social Security rules that liberalized the earnings test and increased the payoff to postponing retirement beyond age 65 have removed many of the incentives to withdraw from the labor force abruptly and completely.

Factors encouraging pensioners to work. Those who were displaced or took early retirement buyouts during the recession of 1990-91 may now feel an income squeeze. In addition, employers have reduced retiree health insurance, increasing pensioners'

out-of-pocket health care expenses. Workers are more able now than in the past to spend their pension funds for other purposes in advance of or at retirement. The shift to defined-contribution pension plans means that benefits are received in the form of lump-sum distributions upon termination of a job instead of as annuities, as in defined-benefit plans. In 1993, a fifth of those aged 55 to 64 who received lump-sum distributions spent the entire amount, and the percentage was much higher at younger ages.

What about women? Long-term trends in the labor force participation rates of older women show a much different pattern from those of men. During the past 50 years the rate for women aged 55 to 64 has doubled from 25 to 50 percent. This is largely due to the replacement of older cohorts in which fewer women worked outside the home by younger cohorts with higher labor force participation rates throughout their adult lives. Among women aged 65 and older, participation rates have hovered in roughly the 8 to 10 percent range for the past 50 years.

BOOK REVIEW***The Crisis of Global Capitalism by George Soros***

Soros' new book is breathtaking in its intellectual scope. Ranging far beyond a mere analysis of the international financial system, it offers many thought-provoking observations. The author opines at one point that readers are probably attracted only by his success as an international investor. But the reader may in fact be most interested in the book for the information it provides about the inter-relationship between this role and Soros' other roles, as philanthropist and public intellectual.

But you don't
really see
the
fixing the
financial
system

Introspections of a speculator. To see this inter-relationship, consider the question of how Soros the philanthropist thinks about the social or moral implications for a country when Soros the speculator helps force its currency into crisis and devaluation. At least four possible answers seem to fit at one point or another.

- *Stop me before I speculate again.* The author, as intellectual analyst, makes clear his view that, at the end of the 20th century, market values have grown undesirably prominent compared with social values; that financial markets have become excessively volatile due to positive feedback from price movements to speculators' expectations; and that some sort of government intervention is appropriate. But the book in fact contains no specific proposal for a policy measure to slow down excitable financial markets (such as turnover taxes). Soros' proposal for an International Credit Insurance Corporation receives little explanation here and sounds more like a device to increase capital flows than like one to slow them down.
- *My investment positions generally work to push the markets in desirable directions. It is the activities of many others that I view as potentially harmful.* Soros could plausibly defend this claim. Hedge funds in general, and Soros in particular, tend to make bets based on economic fundamentals and arbitrage opportunities, rather than on simple trend-following behavior. His fund's short-sales of sterling in 1992 arguably helped move Britain's exchange rate toward its proper equilibrium, and its short-sales of the Thai baht in early 1997 should have signaled a coming problem of the same nature, if the Thai authorities had paid attention. But the author never comes out and says explicitly that everything would be fine with financial markets if other investors operated as he does.
- *Because I devote a large share of my profits to charitable activities, I make up morally for any possible negative effects of my speculative activities.* This claim too could be sustained were he to make it. Soros' "Open Society" philanthropic activities in Eastern Europe and elsewhere tend to be innovatively and efficiently conceived. But he does not attempt this sort of self-justification for his investment operations, perhaps to his credit.

- *My speculative self is completely divorced from my philanthropic self.* This seems to be the author's preferred answer. These two personalities operate independently. "I try to be a winner as market participant and serve the common interest as a citizen and human being." But elsewhere he claims to have undertaken the synthesis: "I have made a conscious effort to integrate the various aspects of my existence [business, socially responsible and private personalities], and I am happy to report that I have been successful." How the personalities view each other remains a puzzle.

An experiment in the ruble. The section of the book that will be most fascinating to those following recent developments in emerging markets is titled "A Real-Time Experiment" and concerns Russia. The author, on August 9, 1998, interrupts his work on the manuscript and—in effect—turns to the reader and confides: *I see things are heating up in Russian markets. Let me take time out to show you how it is done.* He relates to the reader developments in Russia and his real-time phone conversations over the next 2 weeks with various key participants in both governments. Frustrated that his views on how to save Russia are not eliciting sufficient reaction from top policymakers, he publishes a letter in the *Financial Times* that includes the recommendation that Russia introduce a currency board after a modest devaluation of 15 to 25 percent.

Then the world's speculators, reading over their morning coffee that the financial wizard thinks the ruble is overvalued, and perhaps also inferring that Soros himself must have a large short position in rubles, flee from the Russian currency. (Such "market manipulation" is perfectly legal in international currency markets, though it would be illegal in domestic securities markets. Soros' fund was in fact long in ruble assets, in any case, as he takes pains to explain to the reader. One wishes he had included in the book a description of his next phone conversation with his fund manager!) To the author's horror, he has precipitated the very crisis he set out to prevent. On August 26—with the ruble devalued, Russian debts in default, and Prime Minister Kiriyenko having been fired—Soros in effect admits that his real-time experiment is a failure, and returns to writing the next chapter of his book (on how to reform the IMF so that it won't continue to make mistakes).

The lesson? The book's real lesson may be that it is difficult for an individual to try to buck trends that carry everyone else in the wrong direction. It is of little use for a speculator to diagnose correctly that a currency is overvalued and to take a short position accordingly, if simplistic trend-following behavior by other speculators leaves the currency even more overvalued when the time comes to close out his position. The author also laments that enlightened thinking is no more likely to predominate in the political process than it does within the market process. Policymaking is afflicted by problems of unintended consequences, self-interest, voter disaffection, money-dominated politics, and trend-following candidates promising what voters want to hear. Indeed, ultimately, "the political process is less effective than the market process in correcting its own excesses."

ARTICLE

The Buck Doesn't Stop Here: International Use of the Dollar

Although some measures show a gradual decline in its use, the dollar remains the world's pre-eminent international currency. This article discusses some of the advantages of this status. A follow-up in a future *Weekly Economic Briefing* will analyze how the emergence of the euro after January 1 might affect the dollar's standing.

What is an international currency? An international currency is one that is used outside its home country. Official uses include the holding of foreign exchange reserves by central banks ("reserve currency" use) and the pegging of minor currencies. Private-sector uses include invoicing imports and exports, denominating financial transactions, and serving as a medium of exchange in foreign countries (called "vehicle currency" use in the case of foreign exchange trading).

Official use of the dollar. The dollar's share of central bank reserve holdings declined from 72 percent in 1970 to 56 percent in 1990, as central banks gradually



shifted their portfolio shares into marks and yen (see chart). It has been relatively stable since. Of minor currencies that peg, 39 percent peg to the dollar. The French franc ranks second in importance (29 percent of peggers, mainly in Africa). Only three currencies are pegged to the mark (those of Estonia, Bosnia, and Bulgaria). And no currencies anywhere are pegged to the yen.

Private-sector use of the dollar. More than half of funds raised in international capital markets are denominated in dollars. As of April 1998, 87 percent of foreign exchange transactions involved the dollar. Almost four times as much cash circulating among citizens abroad takes the form of dollars rather than DM, the nearest competitor. Wherever hyperinflation or social disorder undermine the public's faith in the local currency, the American dollar is the preferred alternative. (The drug trade and other illegal activities is another source of demand, of course.)

Benefits. Should a country care whether its currency is used internationally? The following are some of the advantages conferred on the United States by the dollar's status as an international currency:

- **Convenience for residents.** It is more convenient for a country's exporters, importers, borrowers, and lenders to be able to deal in their own rather than foreign currencies. The global use of the dollar, as with the global use of the

English language, is a natural advantage that American businessmen tend to take for granted.

- More business for banks and other financial institutions. There need be no tight connection from the currency in which banking is conducted to the nationality of the banks. Nevertheless, it stands to reason that U.S. banks have a comparative advantage at dealing in dollars.
- Seignorage. This may be the most important of the benefits. Just as American Express reaps profits whenever people hold its travelers' checks, which they are willing to do without receiving interest, so the United States profits whenever people in Argentina or Russia hold dollars that do not pay interest. A simple calculation suggests that the United States now derives about \$13 billion a year in seignorage from foreign holdings of U.S. currency.
- Political power and prestige. These are decidedly nebulous. Nevertheless, historians sometimes identify key currency status and international creditor status, along with such non-economic factors as colonies and military power, as trappings of great powers. When the pound sterling lost key currency status, the end of the British Empire was not far behind.
- A strong dollar is good for America. Increased international use can be associated with an increase in demand for a currency, and thus an appreciation in its foreign exchange value. A strong dollar has positive effects on real income.

Disadvantages? In the past, some countries have been reluctant to have their currencies used widely abroad. One reason is potential instability from an increased variability of demand that might result from having one's currency held by a wide variety of people around the world. Central banks are sometimes concerned that internationalization will result in greater variability of the money supply or exchange rate. In the 1960s and 1970s, the Japanese and German governments were particularly worried about the possibility that if assets were made available to foreign residents, an inflow of capital would cause the currency to appreciate and render exporters uncompetitive in world markets. Some Europeans today are worried that international currency status for the euro might lead to a loss in export competitiveness for European firms.

Conclusion. The dollar is currently the dominant international currency. Overall, this probably entails some small benefits for the United States. A future analysis will examine whether the euro will pose a challenge to the dollar in this role.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Trends in Employer-Provided Health Insurance. The fraction of private-sector workers covered by their employers' health insurance plans declined from 72 percent in 1979 to 65 percent in 1997, with most of the drop occurring between 1988 and 1993, according to a recent study. The study found that the decline was driven primarily by declines in takeup for core (long-term, full-time) workers and declines in eligibility for peripheral (newly hired or part-time) workers. It found little change in the fraction of workers whose employers offered health insurance coverage to at least some workers. The authors conclude that these findings are consistent with the view that employers are continuing to make health insurance available to their core employees but are restricting it for peripheral employees. In 1997, for example, 98 percent of private-sector core workers in firms that offered health insurance were eligible for that coverage, while only 70 percent of peripheral workers were eligible.

What Do We Know about Life After Welfare? Serious data problems make it difficult to analyze what has happened to single mothers who have left the welfare rolls since welfare reform. But a recent study pulls together information from past studies of AFDC and a few recent geographically targeted surveys, to paint a likely (though speculative) picture. The study suggests that about two-thirds of those who left the welfare rolls in the past few years continued to receive some form of benefit (such as Medicaid or Food Stamps) in the first year after leaving, with the fraction declining to 35 to 45 percent after a few years. About two-thirds worked after leaving the rolls—most part-time, with hours worked per year rising over time. Wages were generally in the \$6.50 to \$7.00 per hour range. Growth in both wages and especially hours worked led to annual earnings increases of 6 to 10 percent. On average, family income of leavers without a spouse or cohabiting mate was between \$14,000 and \$17,000 (and was a few thousand dollars higher for those with a spouse or mate). Poverty rates fell over time as earnings and the number of leavers with partners increased. About 40 percent of the leavers remained poor a few years out.

Study Examines Effects of School Finance Reform. Funding for low-income school districts increased in the 1980s in states where the school financing system was earlier declared unconstitutional, according to a new study. Among the 12 states with adverse rulings, five switched to school-finance systems aimed at promoting greater equality. Increased state funding led to greater spending on education by poorer districts, with each additional dollar of state funding boosting district spending on education by between 50 cents and \$1.00. Nevertheless, inequality in local revenues per student between richer and poorer districts widened in many states over the 1980s, partially offsetting the equalizing effects of changes in state aid formulas. The study also found some weak evidence of a modest equalizing effect of school-finance reforms on the test-score outcomes of children from different family backgrounds. The authors note that adverse court rulings did not necessarily have much effect on the general trend among states toward more "equalizing" funding formulas. For example, even among the 15 states whose systems were found to be constitutional, nine switched to more equal school financing between 1975 and 1991.

INTERNATIONAL ROUNDUP

Mitch Batters Central American Economies. Before being hit by Hurricane Mitch, both Honduras and Nicaragua appeared to have turned their economies around. Honduras had initiated policies in the 1990s that reversed a decade of economic decline in the wake of the debt crisis of the 1980s, and growth topped 4 percent in 1997. However, a lack of infrastructure has always been a major impediment to growth in Honduras, and Mitch is reported to have damaged roughly 60 percent of primary roads. Some estimates indicate that Honduras also lost nearly its entire banana crop and that total damage was equal to 40 percent of GDP. The storm damage is expected to take 2 percentage points off GDP growth in 1998 and produce a 2 percent contraction in 1999. The damage was less severe in Nicaragua, which emerged in the 1990s from war-torn economic chaos and began laying the foundations for economic growth. However, as the second poorest nation in the Americas, Nicaragua can ill afford any economic setback. Both countries depend upon storm-damaged agricultural exports for a large portion of their income and are likely to experience external imbalances in the short to medium term. Considerable damage to coffee trees might also entail longer-term consequences for exports.

OECD Holds Workshop on Modeling Climate Change. The proceedings of an OECD workshop on the economic consequences of climate change policies were released at the recent Buenos Aires Conference of Parties. The workshop was held with modelers from around the world as the OECD prepares to renew its own modeling efforts. Some key results were consistent across all models, including those from European and Japanese teams. One was the importance of emissions trading—and of including developing countries in trading—in order to lower the costs of meeting greenhouse gas emissions targets. This finding reinforces the conclusions drawn from American models, including the one used by the Administration. (All models assume that emissions trading is fully efficient and frictionless.) The conference also highlighted the need to incorporate specific features of the Kyoto Protocol, such as non-CO₂ greenhouse gases and carbon sinks, into future modeling work. The OECD has made the issue of climate change a priority and will continue to support economic analysis of this issue.

EC Criticizes U.S. Trade Policy, Again. As it has in the past few years, the European Commission in its *1998 Report on United States Barriers to Trade and Investment* cites extraterritoriality and unilateralism as two tendencies in U.S. trade policy that are of particular concern. The report extolls the strength of the Transatlantic economic relationship. But it also expresses EU opposition on grounds of law and principle to U.S. legislation that seeks to regulate non-U.S. companies and EU trade with third countries. The Commission also believes that the use of unilateral U.S. sanctions or retaliatory measures casts doubt on American support for the multilateral WTO-based trading system—though it admits the United States has resorted to unilateralism less in recent times and made greater use of WTO procedures. The report also criticizes various non-tariff barriers such as government procurement procedures, regulatory restrictions, and direct and indirect subsidies.

RELEASES THIS WEEK

Employment and Unemployment

****Embargoed until 8:30 a.m., Friday, December 4, 1998****

In November, the unemployment rate fell to 4.4 percent from 4.6 percent in October. Nonfarm payroll employment rose by 267,000.

Productivity

Nonfarm business productivity rose 3.0 percent at an annual rate in the third quarter. Manufacturing productivity rose 5.2 percent.

Leading Indicators

In October, the composite index of leading indicators increased 0.1 percent.

NAPM Report on Business

The Purchasing Managers' Index fell to 46.8 percent in November from 48.3 percent in October.

MAJOR RELEASES NEXT WEEK

Retail Sales (Friday)
Producer Prices (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1997	1998:1	1998:2	1998:3
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	3.8	5.5	1.8	3.9
GDP chain-type price index	5.4	1.7	0.9	0.9	0.8
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	1.7	3.5	0.3	3.0
Real compensation per hour:					
Using CPI	0.6	1.9	4.1	2.0	2.2
Using NFB deflator	1.3	2.0	4.3	3.4	3.8

Shares of Nominal GDP (percent)

Business fixed investment	10.9	10.6	11.0	11.2	10.9
Residential investment	4.5	4.0	4.2	4.3	4.4
Exports	8.2	11.9	11.6	11.3	11.0
Imports	9.2	13.1	13.1	13.1	12.9
Personal saving	5.2	1.5	0.9	0.3	0.1
Federal surplus	-2.7	-0.3	0.7	0.9	1.1

	1970- 1993	1997	Sept. 1998	Oct. 1998	Nov. 1998
Unemployment Rate (percent)	6.7**	4.9**	4.6	4.6	4.4
Payroll employment (thousands)					
increase per month			172	145	267
increase since Jan. 1993					17273
Inflation (percent per period)					
CPI	5.8	1.7	0.0	0.2	N.A.
PPI-Finished goods	5.0	-1.2	0.3	0.2	N.A.

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

New or revised data in **boldface**.

Employment and unemployment data **embargoed until 8:30 a.m., Friday, December 4, 1998.**

FINANCIAL STATISTICS

	1996	1997	Oct. 1998	Nov. 1998	Dec. 3, 1998
Dow-Jones Industrial Average	5743	7441	8164	9006	8880
Interest Rates (percent per annum)					
3-month T-bill	5.01	5.06	3.96	4.42	4.34
10-year T-bond	6.44	6.35	4.53	4.83	4.58
Mortgage rate, 30-year fixed	7.80	7.60	6.71	6.87	6.71
Prime rate	8.27	8.44	8.12	7.89	7.75

INTERNATIONAL STATISTICS

Exchange Rates	Current level	Percent Change from	
	December 3, 1998	Week ago	Year ago
Deutschemark-Dollar	1.673	-1.8	-5.5
Yen-Dollar	118.8	-2.5	-7.7
Multilateral \$ (Mar. 1973=100)	94.88	-1.7	-3.3

International Comparisons ^{1/}	Real GDP growth	Unemployment rate	CPI inflation
	(percent change last 4 quarters)	(percent)	(percent change in index last 12 months)
United States	3.5 (Q3)	4.4 (Nov)	1.5 (Oct)
Canada	2.3 (Q3)	8.3 (Sept)	1.1 (Oct)
Japan	-3.5 (Q3)	4.4 (Sept)	0.2 (Oct)
France	2.8 (Q3)	11.6 (Sept)	0.5 (Oct)
Germany	2.7 (Q3)	^{2/} 7.3 (Sept)	0.7 (Oct)
Italy	1.1 (Q2)	12.4 (Jul)	1.7 (Oct)
United Kingdom	2.3 (Q3)	6.3 (Jul)	3.1 (Oct)

U.S. unemployment data **embargoed until 8:30 a.m., Friday, December 4, 1998.**

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

2/ Rate for former West Germany. Using OECD standardized unemployment data, the unemployment rate for unified Germany for September 1998 is 9.5 percent.

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THE WHITE HOUSE
WASHINGTON

December 4, 1998

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MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC WEEKLY REPORT

cc: JOHN PODESTA

White House Social Security Conference: Preparations continue for the White House Conference next Tuesday and Wednesday. You will be receiving separate briefing materials for the Conference. On the first day, following opening remarks from you, the Vice President, and Congressional leaders, there will be three public panels: one on the problem, why we need to act now, and the budget surplus; another on the impact of reform on women, minorities, the disabled, and different generations (which Mrs. Clinton will convene); and a final panel on individual accounts and trust fund investments. There will also be closed-press break-out sessions for conference participants to speak directly with key Members of Congress and your senior advisors. On the second day, we will have two closed-press workshops for Members and Administration officials only. We have Bob Greenstein, Ken Kies, Bob Reischauer, and Martin Feldstein making presentations on the key issues. You should know that we have set up a web page for the Conference, the Conference will be broadcast to nearly 60 satellite sites in all 50 states, and we have asked each of the conference participants to submit a 2-page statement on their views on Social Security reform. We will be distributing this book to the participants and the press on the first day.

Medicare Commission Update: On Wednesday and Thursday, the Medicare Commission met for its first serious discussion of policy options. Next month, it is tentatively scheduled to make final decisions, which may become relevant to our internal budget, Social Security, and State of the Union discussions. The Commission continues to be burdened by relatively weak staffing, poor communication among its members, and a general sense of disorganization. The staff produced an options memo that, although seriously flawed, suggested some alternatives that merit consideration. We will be sending you a memo on them. Although the Democrats (including our own appointees) are frustrated with the operation of the Commission, they remain engaged because they believe some of the proposals may have merit. To ensure that Senator Breaux does not veer too far off the path of an acceptable option to Democrats, Congressman Dingell offered -- with our assistance -- a set of Medicare principles for the Democrats to utilize as guideposts in the development of any option. The principles ended up being well received by all the Democrats -- including Senator Breaux. We will continue to closely monitor the progress of the Commission and will report back to you.

12-7-98

summit
to be held
EC

Boeing and Airbus: Boeing has become increasingly concerned about the need to discourage Airbus member governments from (a) providing aid for the launch of a super-jumbo aircraft, which Boeing believes will not be economically viable without state subsidies, and (b) forgiving old debts during the process of transforming the existing four-country Airbus consortium into a "single corporate entity." In response, the Administration has escalated our dialogue with the EU over Airbus to the Cabinet level -- Ambassador Barshefsky has requested consultations with Sir Leon Brittan -- and we are considering putting it on the agenda for the December US-EU summit. USTR has begun to assess the litigation risk of a WTO case on EU subsidies to Airbus. Although Boeing has been reluctant to pursue such a case in the past for fear of alienating its European customers, the company is now pressing us to begin to move in that direction. In addition to recent NEC meetings with Boeing, Lael Brainard and Dorothy Robyn of my staff met with Airbus' new corporate VP, Philippe Delmas, on Thursday (12/3) to stress our concerns about the continued subsidies and other EU actions that distort competition.

Mergers and Competition: We have distributed for comment a draft interim report to you on the NEC's ongoing review of mergers and competition. This draft will be the subject of an NEC deputies meeting next Wednesday, and we hope to give you the report soon thereafter.

Russia: The NEC held two principals meetings this week, where we discussed options related to Russia's imminent debt payment challenges. It is clear that absent some inflow of foreign assistance, the Russian Government will default on some portion of its debt in the near future. Options reviewed included continuation of the present policy of engagement without commitment of resources in the absence of a credible reform package, a small debt relief package in the context of a decision by the IMF to proceed with their suspended program in Russia, and the provision of some debt relief absent IMF cover.

Canada Wheat: On Wednesday (12/2), John Podesta, Larry Stein, Sec. Glickman, Amb. Barshefsky and others met with Senators Conrad and Dorgan and Representative Pomeroy to discuss progress on our dispute with the Canadians on the wheat problem. Since our last meeting on the subject, our trade negotiating team has put together a package with the Canadians that, while not explicitly limiting Canadian imports, does address many of the concerns held by farmers and Western governors. Thus, we informed the North Dakota delegation that we were committed to maintaining this course for the time being, in lieu of trade actions such as a Section 201 as had been advocated by Senator Dorgan. Senator Dorgan, while polite, was unhappy with this outcome. Conrad and Pomeroy, however, indicated that they did not think a Section 201 action made sense at this time, preferring a longer-term process aimed at a more comprehensive solution.

Central America Debt: The NEC and OMB co-chaired a deputies meeting on Friday (12/4) to review options for assisting those Central American countries devastated by Hurricane Mitch. Options discussed included a large provision of funds by the IFIs, and Paris Club, bilateral and commercial debt relief, as well as a number of other options should these prove insufficient to cover the estimated external financing gap for these countries. OPIC and the Export-Import Bank also updated the Deputies on their proposals for stimulating equity and trade financing for the region.

International Labor Initiatives: Lael Brainard, of my staff, held an NEC deputies meeting to coordinate work on 1999 international labor policy initiatives and issues, including a possible international labor technical assistance initiative, relevant aspects of the 1999 International Labor Organization agenda, and the possibility of your delivering a speech to the ILO in June, in the event of the successful conclusion of a US-supported child labor agreement. Holly Hammonds and Sarah Rosen, of my staff, are working on a budget proposal for the US-led technical assistance initiative that could support critical work to strengthen labor standards globally and lend further support to international social safety net initiatives.

Bananas: USTR has so far not been able to reach an agreement with the EU on their compliance with the WTO ruling requiring it to change its banana regime. As you know, Erskine had sent a letter to Congressional leaders saying that we would proceed to enforce our WTO rights if the EU did not comply. Ambassador Barshefsky has called Leon Brittan to urge them to cooperate on a proposal for an expedited WTO review of the situation. But the EU is conditioning any cooperation on agreement by the US to waive enforcement rights. USTR is continuing to try to settle this, and there may be a final opportunity to do so when you sit down with the EU in mid-December.

Bankruptcy: This week, the American Bankruptcy Institute released a study by Creighton University professors analyzing how many people would be affected by bankruptcy reform provisions that would bar some debtors from traditional Chapter 7 discharge (and instead require that they repay a portion of their debts under a Chapter 13 plan). The study concluded that only three percent of debtors would be shifted, rather than the 15 percent claimed by earlier industry-sponsored studies. Preliminary Treasury analysis suggests that, while the data and methodology of the industry-sponsored studies were more reliable, the Creighton study incorporated important considerations ignored by the earlier work. Opponents of bankruptcy reform used the Creighton study to argue that there is no reason to disrupt the current system if so few debtors really can repay more debt. However, Congressional reform proponents insist that bankruptcy will be on the agenda early in the next Congress. We are assessing the impact that shifts in Senate committee membership will have, with Senator Durbin leaving the Judiciary Committee and Senator Gramm (likely to oppose the consumer protections in last year's Senate-passed bill) ascending to Chair of the Banking Committee. We also plan to assemble thoughtful and pragmatic practitioners (such as Judge Fenning) to discuss ways to improve upon the system we supported in the Senate-passed bill last year.

Wall Street Project/Trillion Dollar Roundtable: Reverend Jesse Jackson will be hosting a meeting of the Wall Street Project/Trillion Dollar Roundtable on Martin Luther King's Birthday. At that event, the Reverend plans to unveil a plan to create a private investment fund to invest equity capital in under served markets using existing public programs and private mechanisms. While Jackson does not plan to call publicly for the creation of new governmental programs, privately he has challenged us to provide a simple and compelling vehicle that can funnel investment from the large investors that his rhetorical power, and yours, can bring to the table. Jackson has announced that House Speaker Livingston has committed to attend the Wall Street event. You should know that an NEC working group is developing a possible State of the Union initiative to stimulate greater private capital equity investment in inner cities and other under served markets.

THE WHITE HOUSE

WASHINGTON

December 5, 1998

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(for reply)

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TS*

SUBJECT: Climate Change Weekly Report

Domestic Policy

TS We are working to modify our tax package from last year so that this year's package will have greater political support. We are consulting actively with outside groups from business, the environmental community and agriculture. Also, following up on a meeting with Labor leaders that I did this fall with Karen Tramontano, we have internal groups looking at (1) the labor impacts of our electricity proposal, (2) the status and future of the coal industry, including ways we are already helping and other things we might reasonably do; and (3) transition issues.

Congressional

TS We are working to set up a series of breakfasts/lunches with groups of Members, 10-12 at a time, with top Administration officials, including the Vice President and Secretary of State. We need to expand the group of Members interested in and concerned about this issue, and who understand the rationale of our position. We hope to start in January and continue over several months. Each session should include a scientist; we have several who could ably fill the bill.

Outreach

Good I had an interesting conversation this week with Bob Burt, CEO FMC Corp. and head of the Business Roundtable's Environmental Task Force. After speaking at a BRT conference in Annapolis in October, I urged Burt to take a good look at the credit for early action idea that was introduced as legislation at the end of the session by Senators Lieberman, Chafee and Mack.

Good Burt called Carol Browner and then me to say he would like to bring several CEOs into the White House to discuss this idea. He also said he is convinced that emissions trading is the key to addressing global warming in a cost effective manner and wanted to discuss whether there were ways that some form of pilot trading could be started. I will bring him and small group in as soon as they're ready -- probably after the holidays.

Good In the November issue of the U.S. Airways magazine, CEO Stephen Wolf wrote an encouraging article about the importance of moving forward on climate change. He writes that a lifetime of analyzing risks tells him that the situation begs for action, not delay, and he stresses the important benefits of the Kyoto Protocol.

*Do try to take to him
from me*

Press

On November 20, the *Washington Post* ran an op-ed by a Council on Foreign Relations fellow arguing that the Kyoto Protocol is unworkable. We have worked with State to draft an op-ed from Under Secretaries of State Stu Eizenstat and Frank Loy (recently confirmed replacement for Tim Wirth) that will run in the next few days. On November 23, the *Washington Post* ran an extensive story on the ability of agricultural soils to absorb greenhouse gases and the possibility that these new sinks could play a major role in helping countries reach their obligations under the Kyoto Protocol. The new issue of *National Journal* is running a very positive piece on Buenos Aires, calling it a possible "milestone for the Clinton Administration." The article is particularly complimentary of our work to push for market-based solutions to global warming.

Science

Temperatures for the Historical Period. NOAA is releasing a press release Monday reporting on new research showing that this century is the warmest in 1200 years. The Press release will also point out that 1998 is shaping up to be the warmest year on record. ***Climate Change and Wildfire Damage in California.*** In a recent report, researchers with DOE's Lawrence Berkeley Lab, examine ways in which changes in climatic variables like temperature, humidity, and wind might affect fire dynamics in California. The study found that fires were much more likely to become catastrophic under climate change conditions. The researchers predicted a potential doubling of catastrophic fires in the grassland and chaparral systems of the Sierra foothills. The study did not examine the potential for changes in fire frequency under climate change and did not consider the potentially beneficial effects of increased investments in fire-fighting resources at the State or local level. ***Unknown Factors Still Surround Global Warming.*** An article in this week's *USA Today* briefly summarizes two recent science papers (by Hansen and Wigley) that discuss uncertainties in predictions of climate change. The article quotes Hansen as saying "you still have the concern that you'll have a very large climate change." The Wigley paper asserts that the 20th century temperature record is best explained by assuming both greenhouse gases and solar variability are responsible for the warming.

cc: Vice President
John Podesta
Sandy Berger
George Frampton
Leon Fuerth
Ron Klain
Neal Lane
Jack Lew
Joe Lockhart
Gene Sperling
Jim Steinberg
Janet Yellen

12-7-98

THE WHITE HOUSE
WASHINGTON

98 DEC 5 - 4:59

Copied
Reed
Kagan
Podesta

December 5, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC Weekly Report

X **1. Health Care -- Medicare Commission:** The Medicare Commission met last week for its first serious discussion of policy options. Although the Commission continues to suffer from weak staffing, poor communication among members, and a general sense of disorganization, the staff did manage to produce an options memo that presented several proposals meriting further consideration. The memo listed a number of fee-for-service reforms, such as rationalizing the program's cost-sharing requirements. In addition, the memo presented a "premium support" program -- i.e., a program that both defines a set of benefits and sets the government's contribution. (Henry Aaron and Bob Reischauer have advocated a similar proposal.) Many of the Democrats believe that a premium support approach, if done correctly, could inject more market competition into the Medicare system while providing a vehicle for establishing a prescription drug benefit. In addition to discussing this options memo, the Commission members also considered a set of principles that Congressman Dingell devised (with our assistance) to guide future consideration of policy options. The Democrats on the Commission (including Senator Breaux) responded favorably to these principles, and they may serve their intended goal of ensuring that Breaux does not endorse an option wholly unacceptable to other Democrats.

X All this generated positive momentum at the meeting, but the challenges facing the Commission remain enormous, especially if it hopes to reach its tentative goal of making final decisions next month. The Commission members are finally coming to recognize the scope of the Medicare financing problem, and to realize that more than program savings will be necessary to significantly extend the life of the program. The Commission probably will respond either by scaling back its ambitions (for example, aiming to keep the program solvent for only another 10 or 12 years) or by proposing to inject new funds into the program. We will continue to monitor the progress of the Commission, as well as respond to Democratic members' requests for assistance, as the Commission continues its efforts.

2. Health Care -- Medicare Fraud and Abuse: HHS Inspector General June Gibbs Brown released a report last week finding that the program managers that HCFA hires to reimburse Medicare providers are generally ineffective in detecting fraud and abuse. The report is only the latest in a series of reports the IG has issued criticizing HCFA's efforts to eliminate fraud and/or calling on Congress to give HCFA additional statutory authority in this

area. In an event now scheduled for Monday, you can counter these reports by unveiling a set of legislative proposals and administrative measures to make HCFA's anti-fraud efforts more effective. The legislative proposals are similar to those we introduced in Congress last year, and should result in savings of about \$2 billion. The new administrative measures include a plan to contract with a special set of fraud investigators, rather than use the normal program managers, to identify fraud in the program. Most of these initiatives respond directly to the IG's recommendations, and we expect her to give them strong validation. We also anticipate that aging advocates, such as AARP and the National Council of Senior Citizens, will receive the initiatives favorably.

3. Health Care -- National Toxicology Board Recommendation: The National Toxicology Board of Scientific Counselors recommended on Wednesday that the Secretary of HHS classify alcoholic beverages as a known human carcinogen. Although the scientists acknowledged that moderate consumption of alcohol may produce some health benefits, they concluded that cancers of the mouth, pharynx, larynx, and esophagus are sufficiently linked to alcohol consumption as to compel this classification. The Board's recommendation will come to Secretary Shalala for decision in the spring of 1999. As you know, she rarely overturns a recommendation made by a scientific body. A decision to classify alcohol as a carcinogen will not prompt any other regulatory action. The only effect of the decision will be to list alcohol in HHS's ninth Report on Carcinogens, a congressionally-mandated publication designed to inform the public and regulatory agencies about substances linked to increased rates of cancer. In the wine, beer, and liquor industry, however, even this action will provoke intense displeasure.

4. Health Care -- Stem Cell Research: The Senate Appropriations Subcommittee on Health held a hearing on Wednesday to explore the medical, ethical, and legal issues raised by recent developments in stem cell research. Participants in the hearing devoted considerable attention to the medical potential of this research, noting that it may reduce the need for transplantable donor organs and suggest new treatments for Parkinson's, Alzheimer's, spinal cord injury, stroke, burns, heart disease, diabetes, osteoarthritis, and rheumatoid arthritis. Participants in the hearing also discussed whether and how the current ban on federal funding of human embryo research applies to stem cell experiments. Senators on the panel appeared deeply divided on this question. The Administration took no position on the issue in its testimony; Harold Varmus simply testified that the HHS General Counsel's office had not yet completed its review of the question. We expect, however, that the General Counsel soon will conclude that federal funding for at least some (but probably not all) stem cell research techniques is legal. When we get a more complete sense of the scope of this legal ruling, we will work with OSTP and HHS to present you with appropriate options.

5. Consumer Protection -- Toxic Toys: The Consumer Product Safety Commission released on Tuesday the most comprehensive report to date on the potential health risks to children from teething, rattles, and toys containing chemicals called phthalates that are used to soften plastic. The report concludes on the basis of currently available data that children

Saving
this
important
see report
from
HHS
Shalala

using these products are not exposed to phthalates at levels that might be harmful; the report, however, also identifies several areas where additional scientific research is necessary. In keeping with these findings, the CPSC decided not to ban these products, but it did successfully encourage a large number of manufacturers and retailers to discontinue their sale. We are working with CEQ on ways to support the CPSC's continuing research on phthalates. We also have drafted a letter for your signature to about 20 Congressmen concerned about this issue; among other things, the letter assures the Congressmen that the Administration will not attempt to discourage other nations from banning these products.

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X
OK - This from suggested
6. Political Reform -- Gore Commission: The Gore Commission is now on schedule to release its report on December 18. As we have discussed, the report will fall short of what you had hoped for: it will content itself with announcing a voluntary commitment by broadcasters to provide five minutes of free TV for political discourse between 5:00 p.m. and 11:35 p.m. in each of the last thirty days of a campaign. Although Norm Ornstein agrees with you that the report does not go as far as it should, he believes that he has pushed the Commission members as far as possible. Ornstein also told Paul Weinstein of our staff that the press and even the reform movement will treat the broadcasters' voluntary commitment of free TV time as a major victory; he said, for example, that Paul Taylor is pleased with the agreement. We believe you should issue a statement when the report is released, encouraging the broadcasters to implement their commitment in a timely manner and suggesting that we will take all available steps to enforce it (or another free TV time proposal) if they do not. We expect Senator McCain to hold hearings on the report early in the next Congress and to send much the same message.

7. Abortion -- New CDC Report: The Centers for Disease Control reported on Thursday that the number of legally induced abortions increased by 0.9 percent between 1995 through 1996, to a total of 1,221,585. This change in the number of abortions may have resulted simply from variations in reporting by state health departments. Alternatively, it may indicate that the number of legal abortions in the United States is stabilizing after a pronounced decline in the first half of this decade. As you may recall, between 1990 (the year in which the number of reported abortions was highest) and 1995, the number of legally induced abortions decreased by a full 15 percent. Even with the slight increase in the number of abortions in 1996, the national abortion rate did not change; at 20 per 1,000 women of reproductive age, it continues to be at its lowest point since 1975.

8. Crime -- COPS Program: The COPS Office will announce on Thursday about \$77 million in grants to over 30 local law enforcement agencies through the COPS MORE (Making Officer Redeployment Effective) program. As you know, COPS MORE helps law enforcement agencies purchase equipment and hire support staff so that existing officers can be reassigned to community policing duty. These grants will assist in the redeployment of over 3,800 officers.

12-7-98

THE WHITE HOUSE
WASHINGTON

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Podesta

December 4, 1998

4-4:50

MEMORANDUM FOR THE PRESIDENT

FROM: ANN LEWIS AND STACIE SPECTOR

SUBJECT: COMMUNICATIONS WEEKLY REPORT

Amplification

- **E-Commerce, World AIDS Day, Legislative Priorities, Safe Water, Earned Income Tax Credit, and Economic Numbers.**

We distributed talking points, remarks, state-by-state numbers, proclamations, and fact sheets on this week's message announcements to our constituencies and networks. Information about each event was also posted on the White House web site.

IGA distributed message materials to governors, mayors, state legislators and county executives. OPL desks distributed message materials to 70 religious leaders and organizations. Legislative Affairs distributed message materials to House and Senate Democratic Leadership Offices to disseminate to members. Cabinet Affairs distributed message materials to Cabinet members, Chiefs and Deputy Chiefs of Staff, Communications Directors, White House Liaisons and Schedulers for all of the agencies.

Web

- 
- In advance of next week's conference, we posted a web page for the White House Conference on Social Security. This site includes past speeches, fact sheets, and a feedback mechanism where people can send in their suggestions on reforming the system.
 - This week, we launched a web page for the First Lady's latest round of visits as part of the Save America's Treasures tour. This site give background information on each of the sites she is visiting, while providing people information on how they can get involved in Millennium projects.
 - Examples of both web pages are attached.

Speaking Engagements

- Ann traveled to Los Angeles on Wednesday at the invitation of Ruth Hunter and the California Women's Law Center to keynote their annual lunch.

WHITE HOUSE CONFERENCE

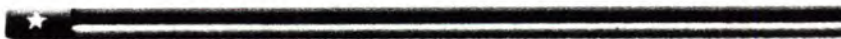
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WHITE HOUSE MILLENNIUM COUNCIL

A Visit by the First Lady to Save America's Treasures



First Lady Hillary Rodham Clinton
Speaks at the National Museum of
American History.

"By giving our own gifts to the future, we can make sure that when the new millennium finally comes, we won't just be celebrating a new year; we will be celebrating the enduring strength of our democracy, the renewal of our sense of citizenship, and the full flowering of the American mind and spirit."

-- First Lady Hillary Rodham Clinton

One of the best ways we can imagine the future in the new millennium is to preserve what we value of our past. But our important historic sites, documents, monuments, and art are deteriorating. As America changes, we must carry forward the heritage that embodies our nation's memory to inspire future generations.

President Clinton proposed a Millennium Fund to "Save America's Treasures" in his Fiscal 1999 budget and Congress appropriated \$30 million for this program. The fund is administered by the National Park Service and will be allocated for the most urgent preservation projects of national significance. To show her support for this fund, First Lady Hillary Rodham Clinton will be visiting historic sites in Queens, New York, Cambridge, Massachusetts, Los Angeles, and San Francisco California.

"Save America's Treasures" should stimulate new private efforts to preserve our heritage. Historic preservation in America has always been a public-private partnership. The National Trust for Historic Preservation is offering leadership by inviting individuals, foundations and corporations to participate in this great initiative by serving on the Millennium Committee to Save America's Treasure. First Lady Hillary Rodham Clinton has agreed to serve as Honorary Chair of this committee.

As we know, the new millennium will arrive regardless of what anyone may do. Save America's Treasures will succeed because of what each one of us will do.



Ibarra
Podesta

THE WHITE HOUSE

WASHINGTON

12 - 7 - 98

December 4, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Mickey Ibarra *for MT*

SUBJECT: Office of Intergovernmental Affairs Weekly Report - Nov. 30 - December 4, 1998

Social Security

- IGA and NEC met with the Big Seven organizations of elected officials to discuss the upcoming White House Conference on Social Security and listen to their unified opposition to proposals mandating that new state and local government workers contribute to Social Security. State and local governments believe such a proposal would threaten their pension systems and would have a particularly negative effect on teachers, fireman, and cops.

Budget Consultations

- IGA, DPC, and OMB held a budget meeting with the National Conference of State Legislatures (NCSL) to listen to their budget priorities for FY 2000. NCSL asked us to fully fund the Social Service Block Grant and refrain from cutting Medicaid administrative costs. NCSL expressed a willingness to work with the Administration on tobacco recoupment, child care, and HMO protections.

Steel

- We continue to hear from elected officials who are urging that the Administration take a more aggressive position in response to the dumping of imported steel. Next Thursday, IGA, NEC, and Karen Tramontano will be meeting with Mayor Dean Harris from Weirton, WV. Mayor Harris, who works at Weirton Steel, reports the company has laid off 342 employees to date, and announced this week that an additional 415 layoffs will take place on December 15, 1998.

Iowa

- As a follow up to your meeting with Governor-Elect Tom Vilsack (D-IA) and his concerns regarding the prevalent use of methamphetamine in Iowa, we are working with ONDCP to arrange an event with the Vice President, in Des Moines, IA to heighten the awareness of this drug.

Canadian Wheat Dumping

12-7-98

- Governors Ed Schafer (R-ND) and Mark Racicot (R-MT) are continuing to hear from angry farmers regarding Canadian wheat dumping. On December 6, the farmers are planning a blockade at all major ports in Montana and North Dakota to protest the unfair trade of grain and livestock from Canada. The farmers have asked the Midwest Governors to resume physically testing all trucks and trains of Canadian imports so that they are subjected to the same FDA and EPA requirements that U.S. exports have to meet. Governors' Schafer and Racicot do not agree with the protest, but have decided not to try and stop it from going forward.

Congress of Cities

- We assisted in the coordination of the Vice President's trip to the National League of Cities Congress of Cities in Kansas City, MO today. As well as speaking to the more than 5,000 local officials, the Vice President held several small group meetings with elected officials from across the country.

Mayors

- On Monday, we facilitated a meeting with the Vice President and Mayor Paul Schell (D-Seattle, WA) and County Executive Ron Simms (D-King County, WA). After reading the Vice President's speech at the Brookings Institution on "smart growth," the delegation from King County wanted to come in and share what they are doing locally to implement the Vice President's ideas.



On Tuesday, December 2, Mayor Carty Finkbeiner (D-Toledo) met with Mrs. Gore and me to discuss relief efforts in Nicaragua due to the damage inflicted by Hurricane Mitch. The Mayor hopes to gain the commitment of the National Civic League and All State Insurance Company to assist with the relief effort.

- We met with Mayor Joe Serna and Councilmember Bonnie Pannel from Sacramento, CA on December 3. The Mayor is seeking assistance to address a longstanding housing issue in the Franklin Villa neighborhood which continues to experience high crime and disinvestment. Sacramento officials are also seeking assistance to ensure the Army Corp of Engineers provides adequate flood control resources to fund eight ongoing projects. We are working with HUD and the Army to respond to these concerns.

Insular Affairs

- We are responding to a request by Puerto Rico Governor Pedro Rossello to the task force planning our long-term response to Hurricane Georges devastation in the islands for additional housing resources.
- Representatives Peter Deutsch (D-FL) and Patrick Kennedy (D-RI) and aides to Senate Energy Committee Chairman Frank Murkowski (R-AK) and House Resources Committee Chairman Don Young (R-AK) suggested the possibility of legislation moving Puerto Rico towards -- but not actually granting -- statehood if that option wins a strong plurality in the five-way December 13 status referendum.
- After agreeing with you in Guam to try to work out legislation to apply Federal immigration and minimum wage laws to the Northern Mariana Islands, Governor Pedro Tenorio (I) publicly criticized an Interior Department official for continuing to press for the legislation.

IGA Outreach

- This week, we sent material to governors, mayors, county officials, and state legislators on E-Commerce, World AIDS Day, the Administration's Legislative priorities, and Safe Drinking Water.

Week Ahead

- On Monday, December 7, we will hold a consultation with representatives from the Big 7 organizations on Federalism. On Tuesday, December 8, we are meeting with representatives from Governor Leavitt and Governor Romer on funding for the Western Governors' University. On Wednesday, December 9, Thurgood Marshall Jr. and I will convene the first meeting with department and agencies members of the White House Task Force on the 2002 Salt Lake City Olympic and Paralympic Games. Finally, a number of Administration officials will be speaking at the National Conference of State Legislatures meeting next week in Washington, DC.

THE WHITE HOUSE
WASHINGTON

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Podesta

December 4, 1998

MEMORANDUM FOR THE PRESIDENT AND THE VICE PRESIDENT

FROM: MINYON MOORE *BM for*

SUBJECT: OFFICE OF PUBLIC LIAISON WEEKLY REPORT (Nov. 30-Dec. 4)

ACTIONS SUPPORTING PRESIDENTIAL INITIATIVES

- **FY 2000 Budget Briefings:** OPL and OMB hosted a series of budget briefings for our constituency groups this week to hear their concerns and priorities for the next budget. The briefings covered issues including small business, education, labor, defense, foreign affairs, energy and science. Sylvia Mathews, Maria Echaveste, and other representatives from OMB emphasized your priorities, particularly saving social security first. Jack Lew and Dan Mendelson will discuss health issues at a similar briefing next week.

The groups expressed concern over a broad range of issues. Education is a top priority for many of the groups. They share the Administration's disappointment that a school modernization bill was not passed in the last Congress and hope that you will not abandon the drive to pass this legislation next year. They also ask that the Administration push for authorization of minority teacher recruitment and new recruitment programs in the next budget. Some representatives also urge you to push for more resources to aid in providing equal educational opportunities.

Social services and welfare programs were also issues of concern to the groups. While the groups appreciate your continued emphasis on Social Security, they do not want you to abandon other social services in the negotiations. Religious organizations, such as Catholic Charities, discussed how the cuts in food stamps have placed increased burdens on their resources.

Other issues emphasized by the groups included funding for child care, technology training, a minimum wage increase, the farm safety net, and the National Labor Relations Board to aid in its enforcement of labor laws.

- **White House Conference on Social Security:** As a follow up to the meeting we arranged for women leaders with Gene Sperling regarding the White House Social Security conference, we are working to ensure that women's concerns are well-represented at the conference. Close to 80 women from a variety of advocacy

organizations will be participating. It is important for you to know that the women's community is gearing up to make social security reform one of their key agenda items for the coming year. They continue to be concerned about the impact of privatization on women.

Religious groups share women's concerns about Social Security. Sixteen religious organizations, including a broad spectrum of faiths, have written to you urging caution in consideration privatizing some or all of the Social Security system.

- **World AIDS day events:** We received a strong positive response from the AIDS community to the policy announcements you made on World AIDS Day. Many people were quite moved by the presentations and your remarks.

CONSTITUENT OUTREACH AND OTHER ISSUES

AFRICAN AMERICAN OUTREACH

- **General Benjamin Davis Event:** OPL is working closely with Cabinet Affairs and Legislative Affairs on preparations for the Lt. General Benjamin O. Davis event next Wednesday. OPL has confirmed 20 Original Tuskegee Airmen from Davis's 99th Fighter Sqdn and under his command, 20 Air Force Active Duty and Retired Black General Officers and US Air Force General Officers, 35 from his Personal list, 15 from Veteran's Organizations, and 5 General Officers from the Secretary of Veteran's Affairs.

ASIAN and PACIFIC AMERICAN OUTREACH

- **APA Health Executive Order:** Many Asian Pacific Americans are pleased that HHS signed off on a plan to ensure that Asian Pacific Americans' needs will be addressed in health campaigns. Community advocates believe that an Executive Order from you is even more important in addressing ethnic health disparities.

BUSINESS OUTREACH

- **Summit on Lifelong Learning:** Approximately twenty-five business representatives attended an OPL meeting Wednesday to discuss the Vice President's upcoming Summit on Lifelong Learning. The business community has shown active interest in contributing to this summit by sharing "promising practices" with the Administration.

DISABILITY OUTREACH

- **FY 2000 Budget:** At this week's budget briefings, disability groups emphasized repeatedly that despite the current favorable economic conditions, 40% of adults with disabilities remain unemployed. They hope that the Administration will target more

funds to expand educational opportunities and job recruitment programs to people with disabilities.

ETHNIC OUTREACH

- **Middle East Trip:** Jim Zogby and others continue to lobby for a private delegation to accompany you on your trip. They are very curious about the stops you and the First Lady will be making. We are worried that the current lack of an Islamic site visit will have negative repercussions in the Arab and Muslim communities both here and abroad.

GAY/LESBIAN OUTREACH

- **Two important, symbolic legal victories:** The Georgia Supreme Court this week struck down the Georgia sodomy law as unconstitutional. The law had been used to discriminate against gays in other areas and was the basis for the US Supreme Court's landmark anti-gay ruling in *Bowers v. Hardwick*. Also, the Miami-Dade County Commission voted to give back to gays the anti discrimination protections taken away 21 years ago as a result of Anita Bryant's infamous "Save the Children" campaign.

HEALTH OUTREACH

- **Nutrition Conference:** Dr. George Blackburn of Harvard Medical School brought a delegation of seven food and nutrition leaders from the private and public sectors to discuss a possible White House Conference on Food, Nutrition, and Health with Chris Jennings and others from DPC. Included in the delegation were the National Food Processors, Food Research and Action Center, Nutrition Research Center on Aging at Tufts, NIH, USDA, and Sara Ehrman. They also attended a follow-up meeting with Secretary Glickman, which went very well. As you know, the last White House conference on this issue was held in 1969 under the leadership of George McGovern, and important policy and programmatic advances were made as a result.
- **Epilepsy Awareness:** On Wednesday, December 2, Neera Tanden and OPL met with five representatives of the Epilepsy Foundation of America to discuss ways the First Lady can bring a higher profile to the issues confronting people with epilepsy. She will attend an event to promote awareness in Chicago next month and may also record a public service announcement.

RELIGIOUS OUTREACH

- **Religious Freedom:** Discussion and lobbying are already underway for the seven person advisory board to be named in February that was included in the International Religious Freedom Act of 1998. We will be meeting with NSC and State in the next week to review names for the three slots you will have to appoint.

- **106th Congress:** The religious community noted with concern the absence of international issues such as funding for the UN and the Palestinians in the announcement of legislative priorities for the 106th Congress.

WOMEN'S OFFICE OUTREACH

- **New Director of the Women's Office:** This was Jenny Luray's first week as the new Director of the Women's Office. The women's community has eagerly looked forward to a permanent director since July. Maureen Shea, who served as Acting Director, is back at her regular OPL duties, serving as the liaison to the religious community.
- **Choice:** There were two interesting and positive developments this week regarding the choice issue. Today, there is a major piece in the New York Times about how the AMA mishandled the late term abortion issue by supporting the ban. An internal audit of AMA decision-making policy conducted by Booz, Allen & Hamilton charged that "rather than focusing on its role as steward for the profession and the public health, the (AMA) board got enmeshed in operational issues of lobbying and lost sight of its responsibility for making decisions which first and foremost, benefit the patient and protect and physician-patient relationship."

In another development, an ad-hoc group of 46 pro-choice organizations launched the most intensive abortion-rights advertising campaign in many years. The ads are designed to encourage political participation among young women aged 16-25 --the "post-Roe" generation --who tend to be more pro-choice than the population at large but take the right to abortion for granted. These two items are helpful to keep in mind as we look to the new Congress and the inevitable abortion fights that will ensue.

- **Part-Time Employment:** In collaboration with DOL's Women's Bureau and OFCCP, we participated in a strategy session with the National Association of Working Women (9 to 5) and the AFL-CIO about the increase in part-time, contingent employment and its negative impact on working women and discussed the idea of a conference involving the White House.

12-7-98
THE WHITE HOUSE
WASHINGTON

December 4, 1998

copied
Marshall
Balderston
Podesta

MEMORANDUM FOR THE PRESIDENT

FROM: THURGOOD MARSHALL, JR. *TMJ*
KRIS BALDERSTON *KB*

SUBJECT: Summary of Cabinet Weekly Reports
November 28 - December 4, 1998

AMPLIFICATION OF PRESIDENTIAL INITIATIVES

- **White House Conference on Social Security:** On December 8-9, you and the Vice President will hold the first-ever White House Conference on Social Security. The Conference will include Members of Congress, experts from all sides, and a broad cross section of the public -- business, labor, academia, seniors, young people, people with disabilities, and others who have a strong interest in Social Security. The Conference will be broadcast to forums in all 50 states and Puerto Rico via satellite -- a total of 60 satellite sites.

DEPARTMENT OF TREASURY

- **Brazil:** On December 2, the IMF Board of Directors approved Brazil's \$18 billion standby arrangement. Brazil will be eligible to draw the first tranche in the next few days, but has announced it will not draw until its legislature approves the framework agreement for bilateral support through the BIS. That is likely to occur in the next one to two weeks. Treasury expects an initial IMF disbursement of close to \$5 billion, and a bilateral disbursement through the BIS of about \$4 billion.
- **Russia:** On December 10-12, Deputy Secretary Summers will visit Moscow with Deputy Secretary of State Talbott, Assistant to the Vice President Fuerth, and Deputy Assistant to the President Steinberg. Discussions will focus on current Government of Russia policies for dealing with the country's ongoing financial crisis, including debt and budget issues, banking, and relations with the IMF. The team will meet with Prime Minister Primakov and Russian counterparts responsible for economics, foreign policy, and national security issues.

- **Indonesia:** On December 2, the Bank of Indonesia announced the outline of a new plan to help Indonesian banks restructure non-performing loans to Indonesian corporations. Indonesian and Japanese banks have been considered the major impediments to large scale corporate debt restructuring. The rupiah and stock markets have continued to hold steady despite several large demonstrations throughout the week.
- **IRS Reform:** On December 9, the IRS Management Board plans to award the Prime Contract for managing the modernization of IRS Information Systems. The Prime Contract will provide for centralization and coordination of IRS technological reforms and is a major step towards replacing the current IRS information systems with an integrated modern system. Open competition for this multi-year contract started in March 1998.
- **DC Economic Development:** Treasury is engaged in meetings with members of Mayor-elect Williams's transition team, Council member Jarvis, private sector organizations such as DC Agenda, and the Financial Control Board to discuss implementation of the development corporation. Key issues include appointments to the Board by you and the Mayor, changes needed in the local legislation, and establishing relationships between the new corporation and other DC entities.

DEPARTMENT OF JUSTICE

- **COPS MORE Grants:** On December 11, the Vice President and DOJ will announce Round Two of COPS MORE '98. The COPS MORE (Making Officer Redeployment Effective) program was developed under the 1994 Crime Act. The program is designed to expand the time available for community policing by current law enforcement officers, rather than fund the hiring of additional officers. The grants may be used to purchase technology and equipment and to hire support staff, including civilian personnel. This announcement will be for approximately \$94,220,792.
- **Attorney General's Schedule:** On December 9, Attorney General Reno will address the DOJ Racial Profiling Conference. On December 11, she will address the Crime Mapping Conference.
- **Race Hate Conference:** On December 12, Deputy Attorney General Holder will speak at the Society of Black Lawyers 25th Anniversary Race Hate Conference in London, England.

DEPARTMENT OF INTERIOR

- **Yosemite Valley:** On December 7, Secretary Babbitt will hold a news briefing to discuss the development of a draft comprehensive plan that will shape the future of Yosemite Valley and Yosemite National Park. The new comprehensive draft plan will integrate the

draft Valley Implementation Plan, the draft Housing Plan, the Yosemite Lodge project, and the Lower Yosemite Falls project. A final decision is expected in the fall of 1999.

- **Grand Canyon Transportation Plan:** Grand Canyon National Park continues to plan its light rail system, announced last year as the preferred alternative to solving extreme automobile congestion issues at the park. Under the 1997 MOU signed by Secretary Babbitt and Secretary Slater, NPS has been working closely with DOT on this project.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Disaster Assistance:** This week, USDA officials will transmit to the White House proposals to distribute the \$2.3 billion provided in the FY99 budget to compensate farmers for losses from natural disasters suffered in 1998 and prior years. When the information is publicly released, USDA expects considerable public, congressional, and media attention.
- **Israeli Beef Ban:** Working with USTR, USDA is preparing a request under the U.S.-Israel Free Trade Agreement to protest Israel's ban on non-kosher beef that industry analysts estimate costs U.S. beef producers \$10 million annually.
- **Food Stamps:** As USDA reviews New York City policies which may be limiting access to food stamps, media attention is spreading from NY. On November 20, WI news outlets reported that Representative Barrett has requested a USDA investigation into whether WI's W-2 policies are preventing hungry Milwaukee families from receiving food stamp benefits.
- **Agricultural Trade Notes:** While U.S. farmers made impressive gains in selling to Canada, Mexico, and Latin America, steep declines in Asian sales helped drive FY98 agricultural exports \$3.6 billion lower than the previous year's levels. On November 30, Mexican pork producers began blockading truck traffic in Nuevo Laredo, protesting shipments of U.S. hogs and costing already beleaguered U.S. hog farmers millions of dollars. On November 25, Mexican officials released 12 railcars of U.S. rice that had been detained since November 4.
- **Commodity Markets in Review:** Wheat cash and futures prices fell last week on the lack of export news and good conditions for the U.S. winter wheat crop. Cash corn prices rose slightly in very thin trade, but futures dropped on anticipation of increased export competition from Argentina and China. Soybean cash prices were slightly lower in a thin market, but futures held steady with a boost in soybean oil prices. Rice cash prices held firm, but futures fell on worsening export prospects. Cotton cash and nearby futures prices moved down slightly in tepid trade, but deferred futures advanced on a jump in export sales and increased domestic demand. Cattle prices fell in limited pre-holiday market activity. Hog prices continued down, as large marketings and industry slaughter

capacity constraints add to the pressure of large meat supplies. Broiler prices dropped modestly as turkeys were the feature of the week. Butter prices slipped again, as cream supplies improve. Cheese prices moved up to another record, supported by strong demand.

- **Russian Food Aid:** This week, USDA officials will present their Russian counterparts with agreements to implement the 3.1 million food donation announced last month. In a related development, USDA has received applications from 37 private voluntary organizations to distribute the 100,000 tons of food for humanitarian assistance included in the package.
- **Food Safety Initiative:** On December 8, USDA will hold the fourth in a series of meetings to collect public comments on your Food Safety Initiative, in preparation for the December 16 meeting of the Food Safety Council you created last summer.

*we should
not let
them
all cancel
out the
other*

DEPARTMENT OF COMMERCE

- **India-Pakistan Entity List:** On November 16, the Bureau of Export Administration (BXA) published a list of 320 Indian and Pakistani entities determined to have involvement in nuclear, missile, or military programs. These entities now face the expanded export restrictions announced by the Administration last June.
- **American Automotive Manufacturers Association (AAMA):** There is movement to define a new organization to replace the AAMA, which will disband by the end of 1998. As a consequence of the Chrysler-Daimler merger, the proposed new organization would be called the Automobile Manufacturers Alliance. Six companies are reportedly willing to join Ford and GM in a new organization. This development has potential implications for the USG-industry Partnership for a New Generation of Vehicles.
- **Measurement Standards and Trade:** On December 4, the National Institute of Standards and Technology (NIST) hosted 11 ambassadors from the Americas to launch an on-line network to bring major improvements in the comparison of physical and chemical measurements important to trade. NIST is organizing "SIMNET," an Internet-based network that will permit measurement experts in different countries to monitor -- in real time -- measurements made in one country so that they can better compare methods and results. The system should reduce uncertainty and trade barriers and speed the legal acceptance of products for export.
- **Bluefin Tuna Conservation:** On November 16-23, the International Commission for the Conservation of Atlantic Tunas met in Santiago de Compostela, Spain. The U.S. took a strong stand on quota compliance and accountability for overfishing, resulting in the European Community's lowering its 1999 bluefin quota to make up for past overharvests. The U.S. position led to the establishment of the first-ever mandatory plan to rebuild

overfished Western Atlantic bluefin tuna. The U.S., Canada, and Japan have agreed to limit their catch to 2,500 metric tons a year for the next 20 years. European and African nations agreed to lower their 1999 catch quota for the Eastern bluefin to compensate for exceeding their 1997 quotas.

- **Red Lobster Partnership:** The Darden Restaurants Foundation, owner of the Red Lobster restaurant chain, has entered into a partnership with the National Marine Fisheries Service (NMFS) to perform lobster research in Narragansett Bay, RI under the WORLD PRODIGY restoration settlement agreement. NMFS is working to engage the Darden Group in other community-based habitat restoration activities.

DEPARTMENT OF LABOR

- **Boeing Workforce Reduction:** On December 1, the Boeing Company announced that it will be reducing its commercial airline production over the next two years by up to 48,000 workers. Specific and definitive numbers are not yet known and a majority of the reduction is expected to occur through attrition and early retirement. Rapid response teams involving representatives from DOL, state agencies, employer, and appropriate unions have been in contact with Boeing representatives and state and local officials since the initial announcement of a smaller potential layoff last June, to ensure that the workers affected by the announced layoffs are provided with the assistance needed to transition to new employment.
- **Health Benefits Education Campaign:** On December 16, Secretary Herman will launch a Health Benefits Education Campaign to educate workers about their rights and options under their job-based health benefit plans, and to reach out to employers with educational materials to help them select health benefits for their employees. The campaign will kick off with a press conference at DOL for approximately 100 public and private organization partners.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Childhood Flu Vaccination:** According to a report in the November 27 CDC *Morbidity and Mortality Weekly Report*, since 1988, Haemophilus influenzae type b (Hib) invasive disease has decreased 99 percent among U.S. children following widespread vaccination against Hib, nearly erasing a disease that, until recently, was the most common cause of bacterial meningitis among pre-school children. Despite this dramatic decline, Hib continues to circulate and U.S. children who do not receive their primary vaccination series on time or are too young to be vaccinated are at risk of Hib invasive disease that can cause bacterial meningitis. In 1997, 258 cases of Hib invasive disease were reported to CDC. In the early 1980s, before Hib vaccine was available, approximately 20,000 cases of Hib invasive disease occurred in children under age five; of those, 12,000 cases were meningitis.

- **Report on Carcinogens:** On December 3-4, the National Toxicology Program's (NTP) Board of Scientific Counselors announced the substances that it recommends for inclusion in the NTP's Ninth Report on Carcinogens. The board is considering 30 items. So far, alcoholic beverages, especially when consumed in high levels and combined with smoking, and second-hand smoke have been put on the list. A discussion on whether diesel exhaust fumes should be included took place on December 4. The federal reports on carcinogens are mandated reports to Congress and the public.
- **Med Guides to Help Prevent Medical Errors:** On December 1, FDA published a final rule to require manufacturers to provide patient information for specific prescription drugs that pose a "serious and significant public health concern." Referred to as Medication Guides, or Med Guides, they will provide patients with information to help alleviate medical errors. Three criteria will determine if a Med Guide will be required: 1) if patient labeling could help prevent serious adverse events; 2) if patients need to know about serious risks associated with a drug in order to make an informed decision; or 3) if the drug demands strict patient compliance to work effectively. It is expected that only four or five drugs or classes of drugs will meet these criteria each year.
- **Mideast Trip:** On December 5-8, Secretary Shalala will visit Lebanon to meet with senior Lebanese officials, including the newly elected President, and visit Lebanese health and social welfare facilities.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Homeless Assistance Grants:** Next week, HUD will have available to announce approximately \$700 million in Homeless Assistance grants that will be distributed to an estimated 300 communities and states. These grants have empowered many individuals to find jobs and achieve self-sufficiency.
- **Lead-Based Paint Grants:** Next week, HUD expects to announce more than \$56.2 million to 46 grantees (state and local governments, non-profit community groups, PR firms and research organizations) to continue the effort to remove lead-based paint from America's housing and provide public education on lead hazards. This is part of the Campaign for Lead-Safe America.
- **HOPWA Grants:** On December 1, the Vice President commemorated World AIDS Day by announcing \$220 million in grants for housing and support services for over 65,000 low-income people with HIV/AIDS and members of their households. The funding is distributed under HUD's Housing Opportunities for Persons With AIDS program.
- **Housing Sector Report:** On November 20, HUD issued a report that shows housing market activity in the third quarter of 1998 continued the record-setting pace of the first two quarters. Despite some signs of slowing at the end of the third quarter, 1998 will be

one of the best years for housing. The HUD report on conditions in July, August, and September 1998 examined permit issuance, construction starts, sales of existing as well as new homes, home ownership rates, and apartment leasing.

DEPARTMENT OF TRANSPORTATION

- **Alameda Corridor Ground Breaking:** On December 10, Secretary Slater will attend the ceremonial construction ground-breaking for the Alameda Corridor, in Los Angeles, CA. This will mark the beginning of a \$712 million construction project, the largest single component of the \$2.4 billion Alameda Corridor and will greatly improve intermodal freight links between the Ports of Los Angeles and Long Beach.
- **NHTSA Trunk Entrapment Study:** On December 1, NHTSA announced the creation of a panel of experts to examine the issue of trunk entrapment. The panel will develop recommendations by mid-1999 to help reduce the number of entrapment-related deaths and injuries.
- **Japan:** During the week of January 18, the FAA will host the third annual FAA-Japan Civil Aviation Bureau bilateral meeting in Washington, DC.
- **Use of Airline Safety Data:** During the week of November 30, the FAA announced a new policy on gathering and using aviation safety data to prevent accidents. Data will be gathered from the FAA's Flight Operations Quality Assurance Program which analyzes information recorded by an aircraft's on-board digital flight data recorder. This program is in response to a White House Commission on Aviation Safety and Security recommendation.
- **Fly the Kids Event:** On December 12, the FAA and the Meacham International Airport, Fort Worth, TX will host a Fly the Kids Event and provide nearly 2,000 seriously ill children a short airplane ride over the local area. One hundred pilots will donate their aircraft and services.
- **Conrail Merger Safety:** On December 7, DOT will meet with officials from Norfolk Southern and CSX Transportation to discuss implementation of the Safety Integration Plan (SIP) resulting from the acquisition of Conrail rights-of-way. Full implementation will occur after the March 1999 split date or when the two railroads begin operating on property acquired from Conrail. The SIP will ensure that safety on both railroads remain a priority and is enforced during the merger of the systems.

DEPARTMENT OF ENERGY

- **Oil and Gas Prices Working Group:** On December 3, Secretary Richardson held a meeting with representatives of the oil and gas industry to hear from them on the impacts of low oil prices. He announced the formation of a DOE working group that will look into possible solutions to the crisis.
- **Computer Chip Agreement:** On December 8, Secretary Richardson will be in San Jose, CA to participate in a joint signing agreement for a partnership with Intel, DOE, and NASA to develop radon-hardened computer chips used in nuclear weapons as well as in space exploration.
- **Senate Plutonium Disposition Task Force:** On December 7-8, Senators Domenici, Kyl, and Hutchison, who serve as members of the Senate Task Force on Plutonium Disposition, will visit DOE's Pantex Plant in Amarillo, TX and the Los Alamos National Laboratory in NM.
- **Oak Ridge Work Force Restructuring:** Contractors at the DOE Oak Ridge, TN site have begun work force restructuring actions in anticipation of FY99 budget impacts covering a variety of programs and affecting each of the major contractors at the site. It has been announced that up to approximately 475 positions could be impacted during the fall of 1998. Additional restructuring may be required later in the year as Bechtel-Jacobs proceeds with major subcontracting actions and assesses impacts of final funding allocations.

DEPARTMENT OF EDUCATION

- **National Education Goals:** On December 10, the National Education Goals Panel will release three major reports at a press conference at the National Press Club. The *1998 Goals Report* will recognize states that have made significant improvements and states that are the highest performing and most improved on the National Education Goals. *Promising Practices: Progress Toward the Goals 1998* identifies top-performing and improving states and tells how these states have made progress toward achieving the Goals. It identifies the policies and practices that have enabled two states, NC and TX, to make rapid advances toward improving several indicators identified under the Goals.
- **Goals Panel:** At its December 10 meeting, the National Education Goals Panel will discuss and vote on the future of the panel and the National Education Goals. The panel will announce the result of its vote at its December 10 press conference.
- **Local Education Heroes:** On December 9, Secretary Riley will announce the selection of 10 "Education Heroes" from around the country -- outstanding principals and educators, business people, parents, and other community members who have undertaken

exceptional activities to improve local schools. The ceremony will also recognize the extraordinary leadership of Seattle schools superintendent John Stanford, who recently died of leukemia.

- **Religion and Education Summit:** On December 10-11, Secretary Riley will participate in a summit in Louisville, KY that is jointly sponsored by DOEd and local religious organizations to mobilize local churches in support of schools.

VETERANS AFFAIRS

- **Interment of Medal of Honor Recipient:** Retired Army Master Sergeant Roy P. Benavidez, a prominent Hispanic war hero and Medal of Honor recipient, died on November 29. MSG Benavidez, who received the Medal of Honor for his actions in a Cambodian jungle 30 years ago, was buried at Fort Sam Houston National Cemetery in San Antonio, TX, on December 3.
- **Gulf War Veterans' Illnesses:** On November 20, the *AP* reported that ailing veterans of the Gulf War told a presidential panel that "they still could not get the government to take them seriously." On November 23-24, the *Washington Post* ran a two-part series on the status of research into Gulf War veterans' illnesses.

ENVIRONMENTAL PROTECTION AGENCY

- **Blue-Ribbon Panel on Fuel Additives:** On November 30, EPA announced the establishment of a blue-ribbon panel to focus on the issues posed by the continued use of MTBE and other oxygen-containing additives (oxygenates) to fuel. The use of oxygenates -- of which MTBE is the most widely available -- is required by the Clean Air Act and significantly reduces air pollution from automobiles. MTBE has been found in numerous drinking water sources in CA, ME, and NH; in most cases, this is a result of leaking underground storage tanks.

UNITED NATIONS

- **Security Council Presidency:** The U.S. Presidency of the Security Council ended November 30. The U.S. was able to renew mandates for MINPONUH (Haiti), Iraq's Oil-for-Food program, UNDOF (Golan Heights), and UNMOT (Tajikistan). Presidential Statements or resolutions were adopted on UNOMIG (Georgia) security, the Africa Working Group action program, transfer of the UN Civilian Police Mission in Eastern Slavonia (Croatia) to the OSCE, and demands for FRY compliance with the International Criminal Tribunal for Yugoslavia.

- **Bahrain Council Presidency:** In December, the Security Council will discuss how to proceed with the Comprehensive Review of Iraq. The U.S. will also need to be prepared to deal with Libya as the tenth anniversary of Lockerbie looms, as well as Sudan's demand for a Council session on the Al-Shifa bombing.
- **Corruption and Bribery:** The UNGA has approved a USUN-led anti-corruption resolution which puts the issue of corruption and bribery in international commerce squarely on the UN's agenda. The resolution follows up the Declaration against Corruption and Bribery in International Commercial Transactions which the U.S. spearheaded in 1996 and which broke the ice for conclusion of the OECD accord.

UNITED STATES TRADE REPRESENTATIVE

- **Canada Agricultural Talks:** On December 2, USTR, in cooperation with USDA, EPA, and FDA, met with representatives of the Canadian government to reach an agreement which would address a wide range of trade problems primarily in the areas of wheat and livestock.
- **Ghana and South Africa Trade and Investment Treaties (TIFAs):** During the week of November 23, USTR concluded negotiations with the Government of Ghana on a Trade and Investment Framework Agreement (TIFA). On December 1, the Government of South Africa agreed to USTR's language on the environment in the proposed U.S.-South Africa TIFA, thereby resolving all outstanding issues with respect to the negotiation of this agreement. USTR anticipates that the Ghana and South Africa TIFAs will be signed in early 1999.
- **Middle East Trade:** On December 2, Ambassador Barshefsky met with Jordanian Trade Minister Hourani to discuss the proposed TIFA, the designation of new Qualifying Industrial Zones, Jordan's intellectual property rights regime, progress on Jordan's application for membership in the WTO, and potential areas of Israeli-Palestinian cooperation.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Iowa Methamphetamine Meeting:** On December 10, Director McCaffrey will accompany the Vice President and give brief remarks at the Methamphetamines Town Hall meeting in Des Moines, IA. This event will bring together community leaders, parents, teachers, law enforcement, and medical professionals to discuss growing trafficking and abuse of methamphetamines in IA.

SMALL BUSINESS ADMINISTRATION

- **Strategic Partnership Development Mission:** On December 5-11, Administrator Alvarez will lead 20 high-tech small businesses from various parts of the country on a strategic trade mission to Dublin, Ireland. This mission recognizes the strength of diversity, trade, and technology and will focus on promoting U.S. small business interests in Ireland and the European Union through partnerships between U.S. and Irish firms. The trip marks the first time an SBA Administrator has led such a delegation to the Republic of Ireland, and the first time U.S. firms have gone to Ireland under the U.S.-Ireland Business Partnership Initiative. The mission is a direct result of your 1995 White House Conference on Trade and Investment in Ireland and Northern Ireland.
- **SBAExport Express:** SBA is ready to announce in December a new and unique finance tool -- SBAExport Express. With SBAExport Express, the number of lenders who participate in international trade financing is expected to expand from the current pool of 200 banks to SBA's extensive network of 9,000 commercial lenders. For the first time ever, private sector lenders, particularly non-international banks, will have the decision-making tools available electronically to help them evaluate an export transaction.

FEDERAL EMERGENCY MANAGEMENT AGENCY

- **Project Impact Summit:** On December 9-11, Project Impact Communities are coming together for the first Project Impact Summit in Washington, DC. The Summit is organized by FEMA to recognize the successes of Project Impact and the movement to build disaster resistant communities, and to further expand and improve this initiative. At this first Summit, 57 designated communities will welcome approximately 100 more communities to the Project Impact movement and awards will be given to communities, public and private sector partners who have done an extraordinary job at taking prevention measures.

OFFICE OF PERSONNEL MANAGEMENT

- **Hurricane Mitch:** On November 27, OPM issued an interim rule giving Director Lachance discretion to authorize solicitations during the Combined Federal Campaign (CFC). In extraordinary circumstances, solicitations in support of victims of emergencies or disasters may be approved. This rule is intended to enable the Federal workforce to respond to emergencies or disasters of catastrophic proportions, such as Hurricane Mitch, which may occur during the CFC. The interim rule became effective November 30.

UNITED STATES INFORMATION AGENCY

- **International Community Sees U.S. Supporting Palestinian State:** Media reaction in the West Bank, Italy and Japan saw the U.S. "hosting of the international donors" conference as a positive sign that Washington was willing to support the political agreement achieved at Wye with economic power. Cairo's pro-government newspaper saw the donors conference in a similar light. The West Bank's independent, pro-Palestinian Authority *Al-Ayyam* also insisted that the president's upcoming visit to the region indicates a "high level and official American recognition (of a Palestinian state)." In Israel, newspapers insisted that Israel "should...suspend the implementation of the Wye accords" until the Palestinian leader "drops his plan to declare a sovereign Palestinian state in mid-1999."

SOCIAL SECURITY ADMINISTRATION

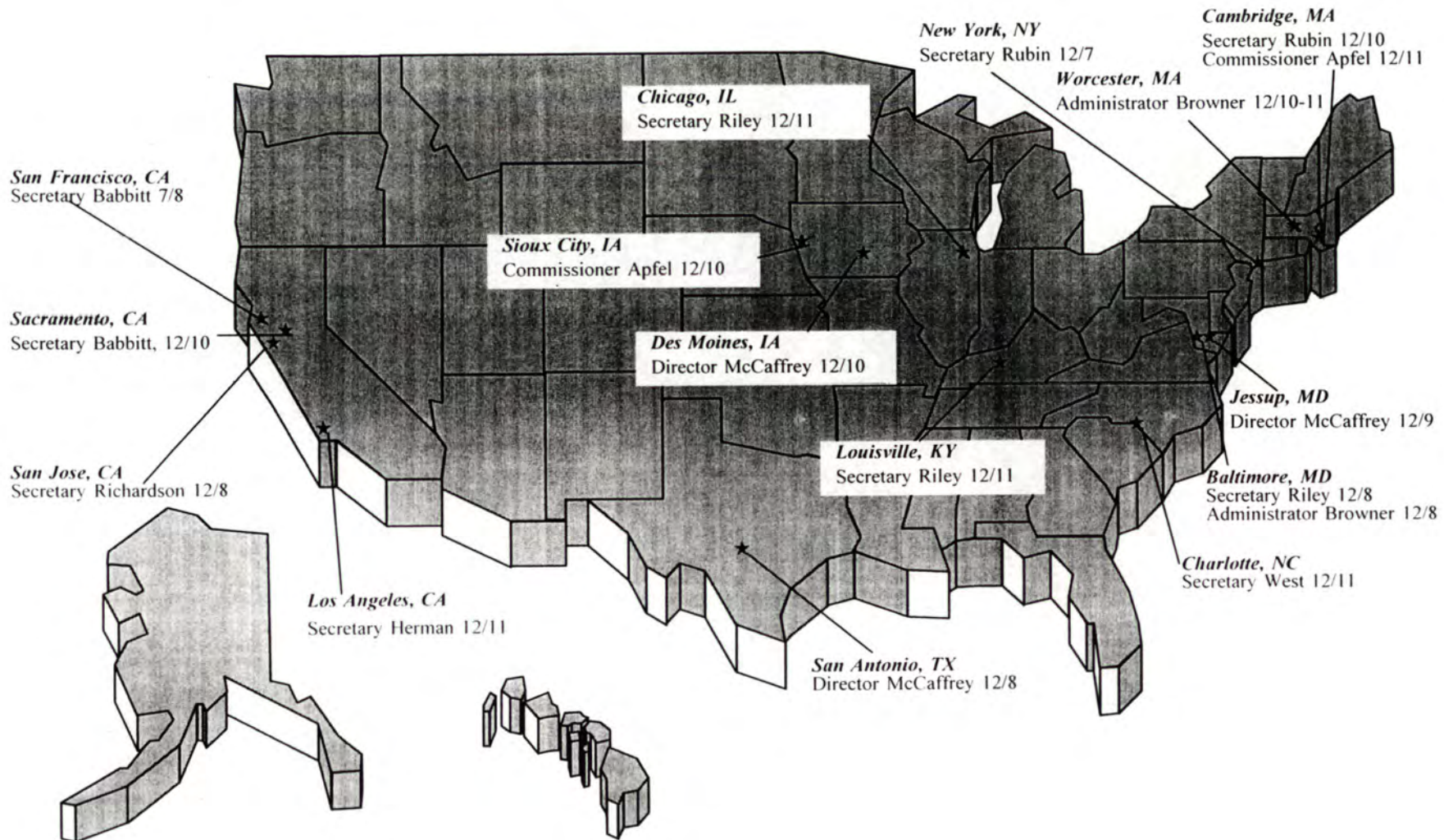
- **Iowa Conference:** On December 10, the Vice President will host a roundtable discussion on the future of Social Security in Sioux City, IA.
- **JFK School:** On December 11, Commissioner Apfel will be in Cambridge, MA at the JFK School of Government at Harvard University where he will brief the incoming members of Congress on Social Security.
- **Social Security Advisory Board:** On December 15, the Social Security Advisory Board will meet in New York City. The meeting will be a fact-finding session on how SSA provides service to the public.
- **Social Security and Medicare Board of Trustees:** On December 18, the Social Security and Medicare Board of Trustees will meet in Washington, DC to discuss the status of the preparation of the Board's 1999 Annual Report, which is to be released in the spring of 1999.

cc:

The Vice President
John Podesta
Paul Begala
Sandy Berger
Sidney Blumenthal
Maria Echaveste
Mickey Ibarra
Janis Kearney
Ron Klain
Neal Lane
Jack Lew
Ann Lewis
Joe Lockhart
Katie McGinty
Minyon Moore
Bruce Reed
Craig Smith
Doug Sosnik
Gene Sperling
Larry Stein
Melanne Verveer

Domestic Cabinet Travel

Monday, December 7 - Friday, December 11, 1998



THE PRESIDENT HAS SEEN
12-7-98

LAW OFFICES

CHERRY & FLYNN

SUITE 2300

30 NORTH LA SALLE STREET
CHICAGO, ILLINOIS 60602

TELEPHONE (312) 372-2100

FACSIMILE (312) 853-0279

November 16, 1998

VIA FACSIMILE - 312-321-2120

Letters to the Editor
Chicago Sun-Times
401 North Wabash Avenue
Chicago, Illinois 60611

Dear Editor:

A "fanatical partisan" is Webster's definition of a zealot. Uncontrollable is defined as "absolute" or "ungovernable." These are concepts considered distasteful to our way of life; they are also inconsistent with America's heritage and the democratic philosophy we attempt to export. We pride ourselves on checks and balances and a system of justice, whether social or judicial, which prompts consequences for such aberrant behavior.

What prompts us then to continue to allow Kenneth Starr to pursue his zealotry completely without controls?

On one level, the fact that Starr was a judge, practiced law with a distinguished firm (although it soon tired of him), and was appointed by three federal judges lends superficial credibility to Starr's reputation. Yet who among us would want to be judged by Kenneth Starr or suffer the consequences of his lapses in judgment.

Surely, Ken Starr cannot be above the law, and certainly in our system, it would be unconstitutional to appoint a special prosecutor without any standards. Little by little, frightening bits of information surface -- from detaining witnesses without benefit of counsel to making a mockery of the Grand Jury process meant to forestall the very abuses which the Starr Group commits.

The last election tells us that the public wishes its important business to be the center of attention in Washington, and even the President has recognized this by putting an end to the Jones litigation. Yet, Starr goes on sending more sex to Congress. His third indictment of Webster Hubbell has prompted even those who do not criticize Starr to announce that the indictment is not really against Hubbell but a further partisan effort to try to get "something" on the President, a "something" which hasn't surfaced after almost five years and almost \$50 million.

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Lewis
Craig
COS

Alvin (Gering)

Letters to the Editor
Chicago Sun-Times
November 16, 1998
Page 2

Is it now in the public interest to sue Starr? Is it now is in the public interest to remind this ungovernable zealot that there are consequences to his actions whether intentional or accidental?

What perverse lingering still allows the Starr Group to meander further?

Garry Wills said in a November column that the voters' message probably won't reach Starr. Anybody else willing to try?

Sincerely,

Myron M. Cherry

MMC/bf

Chicago Sun-Times

RS Pages 2, 82

WEDNESDAY, NOVEMBER 25, 1998

Late S

Unrestrained zealotry

What prompts us to continue to allow Kenneth Starr to pursue his zealotry completely without control?

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Myron M. Cherry, Loop

THE PRESIDENT HAS SEEN
12-7-98

THE WHITE HOUSE
WASHINGTON

'98 DEC 7 AM 11:44

December 7, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: ANN F. LEWIS *Ann*

SUBJECT: IRIS MARTIN

Thamer
AB

You sent a note asking if I am speaking with Iris Martin. We talk nearly every day about ways in which she can be helpful. Current projects include:

- Encouraging Governor Ridge as the voice of Republican governors (he has already made this point on tv);
- continuing to maintain the outside message in positive ways, including through our Democratic network;
- and now a book proposal, based on the Gandhi effect, which would explain the degree of change you have brought about in American society and the connection between that change and the ferocity of the opposition.

copied
Lewis
COS

Guns 12/7/99

Then another thing
Jesse wants us to do
on the Appalachian
project - can we do
any of them - use the
good policy, good
practices - PIs,
advice

THE PRESIDENT HAS SEEN
12-7-98

Copied
Spelling
Podesta



National Office
930 East 50th Street • Chicago, Illinois 60615 • Phone: 773-373-3366 • Fax: 773-373-3571
Washington, DC Bureau
1002 Wisconsin Avenue, NW • Washington, DC 20007 • Phone: 202-333-5270 • Fax: 202-728-1192
Wall Street Bureau
40 Wall Street, Suite 429 • New York, New York 10005 • Phone: 212-425-7874 • Fax: 212-968-1412

THE PRESIDENT HAS SEEN

12-17-98

Federal Facilitation of Appalachian Initiatives

1) Mine Reclamation Fund Surplus

Summary:

Hundreds of thousands of acres of Appalachian countryside have been turned into environmental hazards because of the coal mining that has powered this nation's progress. Abandoned mine lands are a blight on the landscape of Appalachia, but they also represent a great opportunity for the region.

The Abandoned Mine Lands Trust Fund, created by taxes on coal companies, is in surplus of roughly \$1.5 billion dollars. However, these monies are released only through modest appropriations that have allowed the surplus to grow in the face of an enormous backlog of potential mine reclamation projects. The surplus should be entirely released; the program should be fully funded.

These monies are set aside exclusively for mine land reclamation – cleaning up dangerous sites such as landslides and open shafts, as well as thousands of miles of streams polluted by acid mine drainage. In addition to its role in the revitalization of the Appalachian environment, this effort helps rebuild communities' infrastructure and creates numerous jobs in an area that suffers from high unemployment.

Deliverable:

The Abandoned Mine Lands Trust Fund should be fully funded and should be made available as a permanent indefinite appropriation for the purpose that the fees were collected.

(Note: There is no known opposition to this plan. All environmental groups, the UMW and the mining industry support the immediate release of these funds.)

2) Ohio University Airport Expansion

Summary:

David Wilhelm has already met with Secretary of Transportation Rodney Slater about the proposed Ohio University Airport expansion. The expansion would allow 727s and 737s to land in southeastern Ohio. The airport expansion proposal was one of the key elements of the Second Appalachian Economic Roundtable. It would be a great economic boon for the area and would cement Ohio University's role in the economic development of the region.

Federal Facilitation of Appalachian Initiatives
Page Two

Deliverable:

Ensure that there is the appropriate level of federal funding for the Ohio University Airport Expansion project.

Contact:

Richard Siemer, Vice President of Finance, Ohio University (740) 593-1892

3) Foundation for Appalachian Ohio Grant from ARC

Summary:

The Foundation for Appalachian Ohio has applied for a three-year, \$400,000 grant from the Appalachian Regional Commission. The Foundation was created by a collaborative effort of public and private organizations including the Donors Forum of Ohio, the Corporation for Ohio Appalachian Development, Ohio legislators, the Governor's Office of Appalachia, and several regional Foundations. Appalachian Ohio accounts for one-third of the state's area and thirteen percent of its population but accounted for little more than one half of one percent of Ohio's new philanthropic assets from 1989 to 1992.

Deliverable:

Encourage Appalachian Regional Commission to honor the grant request from the Foundation for Appalachian Ohio.

Contact:

Roger McCauley, Chairman of Steering Committee, Foundation for Appalachian Ohio (740) 594-8499

4) Hocking College Grant from EPA

Summary:

Hocking College has applied for a \$200,000 Sustainable Development Challenge Grant from the Environmental Protection Agency to fund the Southeast Ohio Ecotourism Education Development (SEED) Center. Ecotourism represents an ideal opportunity for the region to capitalize on its natural beauty and rich heritage to create real assets for its citizens.

Deliverable:

Encourage the EPA to reward a Sustainable Development Challenge Grant to the School of Natural Resources and Ecological Science at Hocking College.

Federal Facilitation of Appalachian Initiatives
Page Three

Contact:

Russ Tippet, Dean, School of Natural Resources and Ecological Science,
Hocking College (740) 753-3591 x 2317

5) Printing Contract for Ohio Full Court Press

Summary:

After the first Appalachian Economic Roundtable, a digital printing company, owned and operated by an African-American woman from Columbus, has decided to open an office in Nelsonville, Ohio. In addition to creating high-tech jobs and assets for this economically depressed region, this is an important symbolic relationship between urban and rural communities.

Deliverable:

Reward a federal digital printing contract to Ohio Full Court Press.

Contact:

Paula Inniss, President, Ohio Full Court Press (614) 278-9914



Wall Street Project

Wall Street Bureau

330 West 42nd Street, Suite 1511

New York, NY 10036

Phone (212) 425-7874 • Fax (212) 968-1412

December 1, 1998

The President
The White House
Washington, DC 20500

Dear Mr. President:

Last January, you served as the keynote speaker during the Rainbow/PUSH Coalition's Wall Street Project's first annual conference. Your participation was invaluable and I'd like to extend an invitation for you to join us again.

The second anniversary conference will be held Thursday, January 14th and Friday, January 15th, 1999, at Windows on the World, One World Trade Center. In addition to the conference, we are holding a Gala reception on the floor of the New York Stock Exchange from 6:00pm to 9:00pm on the evening of January 14. It would be our honor to have you attend the reception on January 14 and to deliver the keynote address during the plenary session, which begins at 8:00am the morning of January 15. We would like for you to speak at 9:00am, to an audience of 700 corporate CEO's, employees and women and minority business owners.

Co-sponsors for this year's conference include: Sanford I Weill, Co-Chairman, Citigroup, Inc., C. Michael Armstrong, Chairman & CEO, AT&T, Leland Brendsel, Chairman & CEO, FreddieMac, Chester Davenport, Managing Director, Georgetown Partners LLC, M. Douglas Ivester, Chairman & CEO, The Coca-Cola Company, Hugh L. McColl, Jr., Chief Executive Officer, NationsBank, and Jon S. Corzine, Co-Chairman & Co-CEO, Goldman, Sachs & Co.

We are united in the belief that promoting access to capital for all Americans is one of the most important ways that industry can help society. The conference and events surrounding it will provide an opportunity for all of us to focus on activities that promoted inclusion during the past year and to plan for the future.

The theme of the conference will be "Building Trading Partnerships to Expand the Marketplace." I will call you to discuss your participation and look forward to speaking with you soon.

Respectfully,

Reverend Jesse L. Jackson, Sr.

JLJ/td

Rev. Willie T. Barrow, Co-Chair of Board of Trustees • Dennis Rivera, Co-Chair of Board of Trustees

Janice Mathis, General Counsel

Rev. Jesse L. Jackson, Founder & President

Trading Partners

Volume 2, Number 9 October 1998

Opening up the marketplace through inclusion and equal opportunity for all.

Appalachia Is Target Of Economic Roundtable

When some 4,000 people crossed racial and religious lines in Nelsonville, Ohio for a "Close the Gaps, Leave No One Behind" march and rally, they placed the spotlight on poverty in Appalachia.

But as they drove away from the Sept. 27 event at Hocking College, it was clear that something more needed to be done. The proud people of this rural, mountainous region wanted answers. They wanted to know what could The Rainbow/PUSH Coalition and other outsiders do to help address the problems that have left so many of them behind.

Though massive hunger no longer is rampant, many problems remain — severe poverty, high unemployment, inadequate housing, underfunded schools and little or no health insurance.

In an attempt to provide some answers, RPC and Hocking sponsored The Appalachian Economic Roundtable the next day. More than a dozen local, regional and national experts discussed solutions. All agreed with the RPC's economic development model, which calls for the creation of a vehicle to transport capital from Wall Street to the under served regions of America, thereby spreading and generating wealth.

The eight-hour seminar opened with panelists highlighting programs that have worked in the region. They also discussed new ways to attack old problems.

There are venture capitalist firms and small community banks that invest in the region. Stephen Taylor, of the Kentucky Highlands Investment Corp., said his firm has invested in more than 1,000 companies that have created thousands of new jobs.

Amy Borgstrom, the executive director of ACE-NET, said her organization assisted 100 entrepreneurs establish small businesses. They learn how to manufacture, market and sell their products.

But it is also evident that the economic boom being felt in much of America is absent from the hilly landscapes. There is no building boom, no abundance of new jobs, housing or schools.

The Rev. Jesse L. Jackson Sr. said there are many similarities between white Appalachia and Chicago's Black West Side. Racial divisions were fostered by a system that was based on "economic greed using race as the tool," said Jackson, noting the real gap is between the have and have-nots, not blacks and whites.

SBA Explains

Small Business Administration will explain its new certification process, under which non-minority firms may declare "small disadvantaged businesses" (SDBs) during a 12-city tour beginning this month. The process was created to comply with the Supreme Court's Adarand decision, which required the narrow targeting of affirmative action programs.

A company's owner must be someone who is "socially and economically disadvantaged" for the firm to obtain the new certification, the SBA said.



Demonstrators join the Rainbow/PUSH Coalition call to "Leave No American Behind" during "A March for Appalachia" in Nelsonville, Ohio.

Photo by Beverly Swanagan/Swanay Production



WALL STREET
Project

Our Mission

The Wall Street Project (WSP) is a wake-up call to the corporate world for inclusion, expansion and opportunity. There is a multi-billion dollar trade deficit between corporations and minority consumers. The WSP uses research, education and negotiation to persuade companies to close this gap by hiring and promoting more minorities, naming more minorities to corporate boards and awarding more contracts to minority businesses.

Facts on File

Educational Attainment of Adults Aged 25 and Over

White, non-Hispanic	1980	1997
Less than high school	30.44	13.71
High school graduate	30.44	34.84
Some college	30.44	25.23
College graduate	17.41	26.22
Black	1980	1997
Less than high school	48.83	25.12
High school graduate	29.27	35.84
Some college	13.53	25.76
College graduate	8.37	13.29
Hispanic	1980	1997
Less than high school	55.46	45.27
High school graduate	26.73	25.91
Some college	10.16	18.47
College graduate	7.65	10.34
Asian	1980	1997
Less than high school	25.16	15.08
High school graduate	24.68	23.19
Some college	17.21	19.55
College graduate	32.94	42.18
American Indian	1980	1990*
Less than high school	44.49	34.47
High school graduate	31.32	29.06
Some college	16.50	27.16
College graduate	7.70	9.31

* Data for 1997 are not available.

Notes: Data for 1980 are based on years of school completed, rather than on the highest diploma or degree received. In 1997, high school graduates include those with a GED or equivalent.

Source: Bureau of the Census

Trading Partners

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Rainbow/PUSH Coalition Wall Street Project

330 W. 42nd Street, 15th floor

New York, NY 10036

Phone: (212)425-7874 Fax: (212)968-1412

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Jackson Tours Plant, Aids Boeing Workers

For more than two decades, Solomon Williams has worked as a machinist for The Boeing Co. of Seattle. Despite extensive aviation mechanical training from a Brooklyn high school, the U.S. Navy and Boeing, Williams remained in the same grade while Whites with less experience and seniority, he said, were promoted.

Others have similar complaints.

During a recent trip to Seattle, Rev. Jesse L. Jackson met with Phil Condit, Boeing's chairman, and toured a plant with Boeing workers. "Workers are coming from around the country with complaints, which we will turn over to the chairman of Boeing," Jackson said. "They are appealing for relief."

That meeting was followed by another in Washington, where Jackson called on Boeing to make a greater commitment to using minority vendors, in all areas, including professional services. He also requested that Boeing supply more data on the racial composition of its work force and its affirmative action programs.

In June, Williams' attorney, Oscar E. Desper III, filed a class-action lawsuit

against the company, which employs some 238,000 people. Of Boeing's 15,000 African American employees, Desper said 400 have joined the suit and about 3,000 African American workers have lodged complaints with Desper.

The charges include work environments with confederate flags and the "N" word scrolled on walls, illegal termination of Black employees and a false sexual harassment complaint leveled against a top African American executive.

Desper said he is confident he can win the case. Jackson's involvement, he added, can bring about swift and equitable justice in a way that a lawsuit cannot. "He is the only person who can make sure these people who have been waiting a long time for justice don't have to wait too long," Desper said. Jackson plans to meet with Boeing workers in St. Louis and Wichita in November.

Chee Chee Williams, the Wall Street Project Director, said the organization is examining Boeing from top to bottom. "We want to work with them, so we can know how to help them," Williams said.

RPC, Doctors Picket Chicago HMO Firm

The Rainbow/PUSH Coalition and the Chicagoland Physicians Association recently picketed a health maintenance organization accused of running minority doctors out of business and reducing the quality of care in Chicago's poor neighborhoods.

The demonstrators charged that United Health Care of Illinois underpays minority doctors for patient services.

While the average doctor receives about \$30 per patient per month, some doctors in certain zip codes receive less, while some doctors in different zip codes receive more. Physicians who complain are terminated or their patient loads are reduced, which limits their incomes, CPA said.

"All we ask for is fairness and parity for ourselves and patients," said Dr. Ronald Hickombottom, CPA vice president. "I ask each of you, how fair is it that physicians who practice on the South Side and on the West Side receive a substantially decreased amount per month compared to physicians who practice in the suburbs or on the Gold Coast? How fair is it when we voice our opinion and our patient population mysteriously decreases? Our patients are shipped like cattle to another physician."

After meeting with Rev. Jesse L. Jackson, Marshall Rozzi, president and CEO of United,

said they had a good exchange and "welcomed the opportunity to set the record straight."

The CPA, which represents about 200, mostly African American doctors, has been engaged in this dispute with United for almost two years. The battle has been devastating for many doctors. At least 10 percent of about 300 African American physicians in Chicago have lost their practices over the past two years, CPA officials say. Others have taken salaried positions, working for hospitals, clinics and insurance firms.

After challenging the policies, Dr. Terrold Butler of Chicago said the HMO reduced his patient load to 300 from 1,500. Butler said he had to refinance his home to survive.

To force United's management to listen to a progressive voice, "we have purchased stock in United Health Care," Jackson said. "If necessary, we will turn to civil disobedience to expose this national scam."

The scam, Jackson and others agree, is the control large health care firms have over the health care industry at a time when some 40 million Americans are without any kind of health care coverage.

"What we see clearly is profits for the greedy corporate leaders whose interest is in profits to the most extreme degree, not health care," Jackson said.

RPC Pushes Mergers To Benefit the Many

Ongoing negotiations between the Rainbow/PUSH Coalition and MCI/WorldCom may produce a settlement that could serve as a model for other telecommunications firms.

Discussions are underway with companies planning big mergers. RPC says the mega-mergers could do harm to workers and low-income communities, through layoffs and the allocation of services to higher income areas only.

RPC and MCI/WorldCom discussions have not been finalized, but already some positive movement is evident, according to Thomas Hart Jr., a partner in the Washington, DC firm of Shook, Hardy and Bacon, who has been working with RPC.

For example, Clifford Alexander, who President Jimmy Carter appointed as the first African American secretary of the Army, has been named to the MCI/WorldCom board of directors.

Additionally, minority firms now have joined the investment team for the \$47 billion deal and additional African Americans have been hired, or are expected to be soon, as part of the company's executive management team.

"We hope this will be a model for future agreements with other telecommunications companies that are in the process of merging," Hart said.

The other mergers involve AT&T and TCI; GTE and Bell Atlantic; and SBC and Ameritech.

"Our engagement of major telecommunication companies is continuing and beginning to generate substantial industry impact," Hart added.

Rainbow/PUSH, he explained, is the pioneer advocacy organization on the disparity of telecommunication service between affluent and low income areas.

"This is new legal theory that Rainbow/PUSH has been on the cutting edge of," Hart said. "It has gotten substantial analysis at the FCC (Federal Communication Commission)."

The mergers must be approved by the FCC and the Justice Department. In addition to questions about the service the merged companies will provide low income areas, RPC also examines the amount of business the companies will share with minority suppliers and professional service firms, such as law and media firms.

WSP Helps Small Firm Obtain Big Contract

The owner of a small janitorial firm expects his company to grow 300 percent over the next five years, because the Wall Street Project helped resolve his dispute with a national fitness operation.

Ramel Sherman, owner of Beneath Your Sole, said as a result of the settlement of his civil rights discrimination complaint against Bally Total Fitness, his New York business will expand from cleaning four Bally stores to 23 over a three- to five-year period.

Rev. Jesse L. Jackson, president of the Rainbow/PUSH Coalition, helped push the dispute to settlement when he met with Bally executives this summer.

"It was pretty much going nowhere until the Reverend got involved, Sherman said. "Then it started coming together."

The expansion, according to Sherman, will require him to expand his work force to 200, from just four last month. The

agreement also included a cash payment in an amount he would not disclose. During the life of the agreement, he said his company will grow to a \$5 million to \$6 million a year operation, from a position of less than \$1 million before the Bally deal.

He did say the agreement provides that Bally will pay him for his services at a faster rate than normal, so that his company will not grow at a rate that outpaces the cash flow.

Sherman said he is "familiar with the trends of small businesses outgrowing themselves" and his agreement with Bally will help prevent that from happening to his company.

"I am very pleased with it (the settlement)," Sherman said. "It gives me the opportunity now to hire 200 people and most of those are people of color, because in those kind of jobs 99 percent are filled by people of color."

Marching For The Dream

A message from
Rev. Jesse L. Jackson, Sr.

What is the American Dream?

Dr. Martin Luther King Jr. said his dream was deeply rooted in the American Dream. It is a one big tent dream where all are included and none is left in the margins. And under that tent there are five basic promises.

- 1) Equal protection under the law
- 2) Equal opportunity
- 3) Equal access
- 4) Fair share
- 5) A concern for the least of these

Dr. King marched in Washington to change public policy. Gandhi marched to the sea to change public policy. We marched in Appalachia last month to change public and economic policies and practices. Like Dr. King's last march in Memphis, ours was a march to pull together boats, of all colors, stuck at the bottom; to pull together all those left in the margins; to pull together the underserved with under-utilized talent.

It was a determination to include all and leave no one behind. With all of the pain that African Americans feel, we should not claim ownership of pain or poverty.

- 1) Most Black people are not poor. Most poor people are not Black.
- 2) Most poor people are not on welfare. They work every day.
- 3) Most poor people are White, female and young.

Today we must turn pain into power. Today we must use the resources of our minds, our morals, our monies, and our votes. We have enough unused votes to install a progressive majority in the Congress and empower our allies. We have the power to change the course of legislation and the nation.

We must vow to close the computer literacy gap, the education gap, the income gap and the wealth gap.

We must get stock in targeted corporations, learn leverage and the science of finance. We must demand the same plans to bail out under-served Americans that we use to bail out countries around the world.

Russia and China have incentives to encourage investment on the front side and hedges against risk on the backside. If we can bail out our friends in Europe and Asia with our tax dollars, we can bail out the under-served, alienated and marginalized Americans here at home.

Let's all march together for an America that leaves no one behind.

JOB OPENINGS

Unit Public Relations Leader

\$90,000-\$110,000, plus bonus

The business unit public relations leader position is located in Rochester, NY, in a division of an \$18.2 billion international company that provides document services in 40 countries.

The responsibilities include developing and managing worldwide public relations strategies, ensuring positive, fair and accurate media coverage of the company, serving as spokesperson for the business unit, managing outside public relations agencies and developing and implementing high quality, proactive public relations programs targeted to business customers.

The successful candidate will direct public relations programs designed to build a strong local to international reputation for the business groups as the premier provider of services and solutions.

A bachelor's degree is required and an advanced degree is preferred. Candidates should have 10 years public relations experience. Three-plus years of business or agency experience focused on the technology industry is required. Excellent oral and written communication skills are necessities, as are creativity and flexibility.

Vice President, Operations

\$115,000-\$130,000, plus bonus

This position with a managed health care company that provides benefits in the Northeast is located in Norwalk, CT.

The responsibilities include providing leadership for all site operational functions including software development, processing workflow and product training. The vice president also provides fiscal management and planning, manages multiple processing locations, develops infrastructure capabilities to increase productivity, reduce costs and improve products and develops reporting mechanisms that ensure compliance with internal and external controls.

The successful candidate must stay abreast of all new service platforms and their effect on service delivery and oversee the design and evaluation of programs and projects to increase customer satisfaction.

A bachelor's degree is required and a MBA is preferred, along with 10-20 years in operations or business related experience in a high transaction company. Candidates also should have prior management of multiple units or divisions.

Controller

\$85,000-\$100,000 plus bonus

A mid-Michigan, non-profit, community governed, comprehensive health system has an opening for a controller. The system has 5,500 associates, 800 physicians and 1,300 volunteers.

The controller will develop a cohesive, competent accounting and financial planning team, determine staffing needs; provide monthly reports of consolidated financial results; and support the executive team, governing boards and medical staff in planning.

Additionally, the successful candidate will provide leadership and direction for designated departments, assist in the integration of affiliate organizations, educate executive team, board members, medical staff and managers on key financial and operating trends.

Qualifications include a bachelor's degree in business/accounting. A master's degree in business administration or a CPA with 3-5 years experience in a Big 6 public accounting firm also is required. Other requirements include 3-5 years controller's experience with a \$100 million-plus organization.

For information on these positions, contact Carrington & Carrington LTD., 39 S. LaSalle St., Suite 700, Chicago, IL 60603. Tel. 312-606-0015; Fax 312-606-0501.



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98 DEC 7 PM 6:01

December 3, 1998

President William Jefferson Clinton
The White House
Washington, DC 20500

Dear President Clinton,

I pray that this letter finds you well and being blessed by God during this joyous holiday season. May your days be filled with grace, peace and every perfect gift that comes to us from above.

As the spiritual leader of the Greek Orthodox people of America, and the Exarch of His All Holiness Ecumenical Patriarch Bartholomew, I congratulate you for your leadership and responsiveness in promoting and encouraging the human rights and religious liberties of the Orthodox Christians in Turkey. We express our deepest gratitude to you and your Ambassador to Turkey, Mark Parris, for the reversal of the decision to dismiss the Board of Trustees of the Halki School of Theology.

We also congratulate you for your defense of all the minorities of Turkey. Defending the spiritual and religious integrity of the Ecumenical Patriarchate of Constantinople as well as all other centers of religious faiths and traditions is a responsibility we must all share and never cease as it speaks to the fundamental and inalienable rights of man.

For centuries, the Theological School of Halki has prepared the future leadership of the Orthodox Church for all the world. It was only until the arbitrary closing of the School in 1971 by the Turkish Government that Halki has been forced to suspend its primary mission.

Recently, Mr. President, you and the members of Congress re-affirmed the right of Halki to serve as a religious institution of higher learning and called on the Turkish government to re-open the School. May the God of Peace, Mercy, Justice and Truth strengthen the bonds established between the governments of Turkey and America so that an effective outcome regarding this venerable Patriarchal institution can soon be realized.

It is my prayer that the Lord our God will guide you as you safeguard the principles upon which our country was founded and watch over you as you lead this great nation to a brighter tomorrow.

12-7-98

To Burkhardt for reply?
Yes ☒ No ☐

Coordinate with NSC?
Yes ☒ No ☐

Faithfully,

† SPYRIDON
Primate of the Greek
Orthodox Church of America

**Greek
Orthodox Archdiocese of America
OFFICE OF THE ARCHBISHOP**

10 East 79th Street, New York, NY 10021

Voice: 212-570-3546

Fax: 212-570-3580



facsimile transmittal

To: President William Jefferson Clinton

**From: His Eminence
Archbishop Spyridon**

Facsimile number: 202-456-6703

THE WHITE HOUSE
WASHINGTON

group
12/4/98

hancy -

This is from Ann
Jordan's brother.

HRC thinks it is an
interesting proposal.

An original letter to
POTUS is attached.

A copy has gone to Witt
via Cabinet Affairs.

Thanks,

Ann

B Dan Burkhardt
for reply.

Coord with NSC
(Dick Clarke) and Cb

Alkins (FEMA). DC Sig

Phil 12/7

THE WHITE HOUSE

December 1, 1998

Mr. Eugene H. Dibble, III
EHD and Sons
P. O. Box 53142
Chicago, Illinois 60653

Dear Mr. Dibble:

Thank you for your letters to the President and me and for sending along a copy of the Wauconda Fire Department's proposal for a Regional Fire and Response Center. I appreciate hearing from you and have forwarded copies of your letter and materials to the President and James Lee Witt, Director of the Federal Emergency Management Agency for their consideration.

With regards and best wishes for a blessed holiday season, I remain

Sincerely yours,


Hillary Rodham Clinton

See
12/4/95

EHD AND SONS
INVESTMENT CONSULTANTS

P.O. BOX 53142
Chicago, Illinois 60653
Tel (312) 326 3200
Fax (312) 326 4750

9/23/1998

The Honorable William Clinton
President, United States of America
The White House
Washington, D.C.

Dear Mr. President:

One month ago our fears were escalated, our security threatened, our trust in human-kind shaken. After terrorizing parts of Africa, Ben Ladden warned the United States that he would "seek to destroy us".Defense Secretary William Cohen has summarized our growing vulnerability: "at least 25 countries have, or are in the process of, developing nuclear, biological, or chemical weapons **and** the means to deliver them"....Terrorism/ Nuclear Proliferation/Envi- ronmental disasters critically demand our preparedness to meet these unforeseen challenges.

This letter is to direct your attention to an innovative project proposed by a rural Fire Department in Wauconda, Illinois to prevent our potential paralysis in the face of such disasters. Many of our existent agencies have proven their worth in restoring order out of chaos, yet **before** this clean-up and rehabilitation, one critical step is missing: Should a severe disaster strike a large metropolitan center, the populace would be trapped, dependent on their own local emergency crews for first-line action.

The Wauconda Project seeks to reverse the situation, springing into action a shuttle of fire trucks/ambulances/helicopters to leap-frog in and out of the disaster core. Their proposed Regional Fire Emergency and Response Center will train whole communities in prevention and life-saving techniques. Their updated communications system will provide a minute-to-minute pulse of the community and outlying areas or agencies. Their In-service operations will maintain staff, equipment, and supplies in a state of instantaneous readiness for its own rural response, or as a life-line into an adjacent urban artery.

Because of its strategic location, abundant space, and its proposed state-of-the-art technology, this facility is an ideal site for a **model of regional response systems** across the nation. I strongly urge you to include this project for immediate funding. It is my opinion that **terrorism** on land, sea, or in the air is the most vital impending threat to our existence. Preparation, training, and the establishment of a regional emergency response network is **KEY**.

Sincerely yours,



EHD AND SONS
INVESTMENT CONSULTANTS

P.O. BOX 53142
Chicago, Illinois 60653

Tel (312) 326 3200

Fax (312) 326 4750 November 14, 1998

Mrs. Hillary Clinton
The White House
Washington, D.C.

Dear Mrs. Clinton:

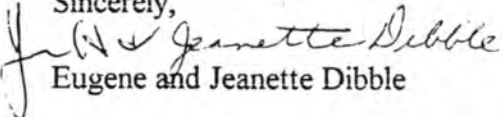
Your performance in working so hard for the election of new candidates and the re-election of present members of Congress is duly noted by the many Americans who appreciate and will benefit from your efforts. We here in Chicago and the State of Illinois regretted that Carol Moseley-Braun did not retain her seat, but you certainly inspired voters with your many appearances in her support. Your rousing speech at Operation Push visibly stimulated the voters and brought them out to the polls.

The American people need your continued valuable service, and it is our hope that you will very seriously consider running for National Office. The course President Clinton has set and his agenda need to be carried forward if we are to achieve for our children and grandchildren social and economic justice, educational opportunity, quality affordable health care and freedom from escalating drugs and crime.

For the past 40 years, I have been a disaster volunteer for the American Red Cross, the Salvation Army, and, more recently, the Metropolitan Emergency Support Services. The events in South America and the Middle East in recent months have focused our attention and made me realize that Terrorism and National Disasters menace our very survival, especially in large metropolitan centers which can so easily become strangled and wiped out.

FEMA has admirably established the value of disaster response. Now we need to work in partnership with FEMA to decentralize and refine our ability to respond more rapidly with supplies, equipment, and trained personnel. The enclosed proposal by the Wauconda Fire Department outlines such a pilot program and already has received some congressional support.

My wife, Jeanette, and I wish you, the President, and Chelsea our very best for a happy holiday season.

Sincerely,

Eugene and Jeanette Dibble

House of Representatives

Washington, DC 20515-1307

WASHINGTON OFFICE:
ROOM 1218
LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6006

October 15, 1998

The Honorable William Jefferson Clinton
President
The White House
Washington, DC 20500

COPY

Dear Mr. President:

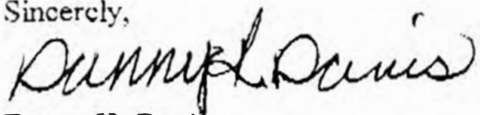
I am writing to request your support for an important initiative designed to protect American citizens from terrorist attacks. As you know, the United States is increasingly becoming the target of threats from countries who are developing chemical and biological weapons of mass destruction. These weapons if released in a major City like Chicago could cause significant loss of life and cause paralysis if we do not have the adequate resources to handle such attack.

The Waconda Fire Department in rural Illinois has proposed a Regional Fire and Emergency Response Center that would be capable of handling such a terrorist attack. This unique innovative project could serve as a model to be used throughout the country. In addition, to being prepared to handle terrorist attacks, natural disasters, and serious transportation accidents the training facility will be used to train the community in fire prevention, CPR, and provide job training for positions in dispatch, fire prevention, and emergency medicine. The Waconda Fire Department has already purchased 20 acres of land for this state-of-the-art facility.

The Regional Fire and Emergency Response Center is strategically located in northeastern Illinois between the major metropolitan areas of Chicago and Rockford, Illinois and Milwaukee, Wisconsin. Because of its proximity it is within easy reach of Northern Illinois and Southern Wisconsin. This first of its kind regional facility is key to our national security. Therefore, I request your assistance in securing \$12 million to complete this vital project.

Again, this investment in the Waconda Regional Fire and Emergency Response Center is a minimal commitment to the security of America's citizens. Thank you in advance for your assistance in this matter.

Sincerely,



Danny K. Davis
Member of Congress

Congress of the United States
House of Representatives
Washington, DC 20515-1307

WASHINGTON OFFICE
ROOM 1218
LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-5008

October 15, 1998

COPY

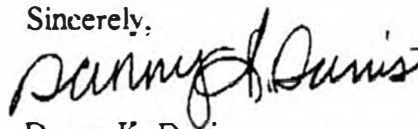
John D. Podesta
Deputy Chief of Staff
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. Podesta:

Enclosed please find a copy of the letter I sent to the President and a proposal regarding the Waconda Regional Fire and Emergency Response Center. I believe this proposal makes sense and is good for the American people.

Therefore, I urge your support in making the Regional Fire and Emergency Response Center a reality. Thank you in advance for your assistance and I look forward to speaking with you soon.

Sincerely,



Danny K. Davis
Member of Congress

United States Senate
WASHINGTON, DC 20510-1303

October 23, 1998

President William J. Clinton
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Mr. President:

I am writing in support of the Village of Wauconda (Illinois) Fire Department's efforts to secure \$12 million in funding for a Regional Fire and Response Center.

Wauconda is strategically located in northeastern Illinois between the metropolitan areas of Chicago and Rockford, Illinois and Milwaukee, Wisconsin. The combined fire protection districts cover more than 70 square miles in this area.

The Wauconda Fire Department has proposed a Regional Fire and Emergency Response Center capable of handling terrorist attacks, natural disasters, and serious transportation accidents. The Center will also be utilized as a communications center, an education and training facility, and a regional disaster response center. The Wauconda Fire Department has already purchased a 20-acre tract of land for the Center, and has garnered the support of local officials and the surrounding communities.

The United States is increasingly becoming the target of threats from countries who are developing chemical and biological weapons. The Wauconda Regional Fire and Response Center would be the first of its kind in this region to address and prepare for this type of disaster.

I hope you will give this important project your full support. Thank you in advance for your assistance.

Yours truly,



Carol Moseley-Braun
United States Senator

CMB:cmp



VILLAGE OF WAUCONDA

101 N. MAIN STREET P.O. BOX 785 WAUCONDA, ILLINOIS 60084 - 0785

PHONE (847) 526 - 9600

FAX (847) 526 - 8809

JAMES ESCHENBAUCH, MAYOR

FRED J. DIERKER
VILLAGE ADMINISTRATOR

MARY C. TAYLOR, CLERK

TRUSTEES

JOHN AMRICH
DAVID WANSHEK
LIZA JOHNSON
EDWARD WEISBROD
CARL ARONSON
LORRIE GODAWA

October 14, 1998

Honorable Danny K. Davis
7th District, Illinois
Longworth House Office Building - Room 1218
Washington D.C. 20515

Dear Congressman Davis:

I, as Mayor of Wauconda, am in support of the Wauconda Fire Department's efforts to secure funding for a Regional Fire and Response Center. As the Fire Department prepares to expand to properly serve our community, we recognize needs that are not currently being addressed.

The facility will encompass many facets of emergency service as well as community service. What is unique is that the Fire Department wants to share such a resource on a regional basis.

Some of the uses of the complex are as follows:

- Area fire station
- Education center for local and regional personnel
- Education center for the community
- Secure communications facility
- Regional Emergency Response Center

I know that this letter provides a small insight into the plans of the Fire Department. If you need additional information, don't hesitate to call Fire Chief David Dato. His phone number is 847-526-2821.

Whatever you can do to support such an innovative effort would be greatly appreciated by me and the residents of the area.

Sincerely,

James Eschenbauch, Mayor

C: David Dato



VILLAGE OF WAUCONDA

101 N. MAIN STREET P.O. BOX 785 WAUCONDA, ILLINOIS 60084 - 0785
PHONE (847) 526 - 9600
FAX (847) 526 - 8809

JAMES ESCHENBAUCH, MAYOR

FRED J. DIERKER
VILLAGE ADMINISTRATOR

MARY C TAYLOR, CLERK

TRUSTEES

JOHN AMRICH
DAVID WANSHEK
LIZA JOHNSON
EDWARD WEISBROD
CARL ARONSON
LORRIE GODAWA

October 14, 1998

Honorable Philip M. Crane
8th District, Illinois
233 Cannon House Office Building
Washington D.C. 20515

Dear Congressman Crane:

I, as Mayor of Wauconda, am in support of the Wauconda Fire Department's efforts to secure funding for a Regional Fire and Response Center. As the Fire Department prepares to expand to properly serve our community, we recognize needs that are not currently being addressed.

The facility will encompass many facets of emergency service as well as community service. What is unique is that the Fire Department wants to share such a resource on a regional basis.

Some of the uses of the complex are as follows:

- Area fire station
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Whatever you can do to support such an innovative effort would be greatly appreciated by me and the residents of the area.

Sincerely,

James Eschenbauch, Mayor

C: David Dato



Wauconda Fire Department

109 West Liberty
Wauconda, Illinois 60084

David Dato, Chief

Bus. 847-526-2821

Fax: 847-526-2836

REGIONAL FIRE AND EMERGENCY RESPONSE CENTER

FACT SHEET FUNDING REQUEST: \$12,897,000.00

The Wauconda Fire Department has recently purchased an undeveloped tract of land to house a new Fire Station Complex. Citizens depend on Response Centers to provide timely services.

Currently, most calls are for routine fire or medical related emergencies. In today's environment, the demands placed upon response centers also include manmade or natural disasters, acts of terrorism, and more serious fire and medical emergencies that increasingly occur.

We want to meet the challenges facing emergency service departments and meet these challenges using new technology.

Our state of the art facility will enable us to respond to emergency calls, work with local fire departments and supplement their activities through out the region. In addition to fire trucks and ambulances, our 20 acre site plan includes an emergency response training and education center, a state of the arts communication facility, and a heliport.

SUMMARY

We are suggesting a partnership of government agencies to fund and use the new site to educate and protect citizens against terrorism and to serve as a regional model, coordinating FEMA with local, state, and federal emergency services. This proposal outlines a governmental role, our site plan, and a budget for this facility.

Regional Fire and Emergency Response Center

Education and Communications Facility Proposal



Presented by the
Wauconda Fire Department
109 West Liberty
Wauconda, Illinois 60084
Ph. 847.526.2821
Fx. 847.526.2836



**WAUCONDA FIRE DEPARTMENT
REGIONAL FIRE AND EMERGENCY
RESPONSE CENTER**

**EDUCATION AND COMMUNICATIONS
FACILITY PROPOSAL**

SEPTEMBER 1998

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1. INTRODUCTION

Lives will be saved because you have accepted and approved our proposal for a new fire station complex.

The Wauconda Fire Department has recently purchased an undeveloped tract of land to place a new fire station complex. Citizens depend on response centers to provide timely services. This station will provide emergency services to a wider population than currently served by local fire departments.

Everyday emergencies, natural disasters, terrorism. Our environment has changed. We must be prepared in order to protect and serve our citizens.

This proposal for a new complex will meet the needs of not only our local constituents, but also the greater population.

Currently, most calls are for routine fire or medical related emergencies. Technology has had both a positive and negative impact on our daily lives. In today's environment, the demands placed upon response centers also include manmade or natural disasters, acts of terrorism, and more serious fire and medical related emergencies that inevitably occur.

To prepare for unforeseen emergencies, we must train new and re-train current personnel. Our training facility will not only be used for emergency staff, but also to train the community in fire prevention, CPR, and other life-saving techniques. We also want to provide job training for positions in dispatch, fire prevention, and emergency

medicine. Potential candidates include welfare recipients through the Welfare-to-Work program. This will provide an additional labor force we can use to cover disasters, terrorist acts, emergencies, and attrition.

We want to meet the challenges facing emergency service departments and meet these challenges using new technology. Our state-of-the-art facility will enable us to respond to emergency calls, and work with local fire departments and supplement their activities. In addition to fire trucks and ambulances, our 20-acre site plan includes an emergency response training and education center, a communications facility, and heliport. This upgraded technology and facility will serve our community well into the new millennium.

- We are suggesting a partnership of government agencies to fund and use the new site to educate and protect citizens. This proposal outlines our site plan, demographic profile, site use, and budget for this facility. Exhibits are provided in Section 8. We've included a regional map, the fire station plan, the training site plan, the education center plan, and the heliport and building plan.

2. FEDERAL PARTNERSHIP

This facility is important, indeed essential, for being prepared to save lives. Recently the Senate passed the Commerce, Justice, State appropriations bill (S2260) which contains provisions for improving municipal fire and emergency service. This bill is timely due to the new challenges our communities are experiencing.

Terrorism, natural or manmade disasters, and serious transportation accidents (airplane, train, and automobile) are increasingly placing additional demands on our emergency services personnel and facilities. Community awareness and additional security can reduce these effects, but cannot eliminate the need for high technology emergency response centers with a well-trained staff.

If a major disaster occurred in the Chicago area, we are not as prepared as we should be to provide services to our citizens.

This facility and its personnel will not only provide services to local communities, but can also be dispatched to other U.S. and foreign disaster sites to render assistance.

This facility will supplement and support, not replace, current Federal Emergency Management Agency (FEMA) efforts. Located in a rural area, it will serve as an outpost, mobilizing peripheral resources to assist a major urban artery. For example, if a terrorist act like the Oklahoma City or World Trade Center bombings or a biochemical attack occurred in (Chicago, the city would be paralyzed. Most of the city's resources could be affected and the outlying counties could not provide support without endangering their own communities. Positioned outside the city, we would be able to provide services. In addition to fire trucks and ambulances, we also would have helicopters that could get to blocked sites and move key/critically injured people,

equipment and supplies faster.

Because of its strategic location, abundant space, and its ability to encompass all aspects of emergency service, this facility lends itself to being a site for federal funding as well as a model for other regions. Located in northeastern Illinois between the major metropolitan areas of Chicago and Rockford, Illinois, and Milwaukee, Wisconsin, we provide an excellent location for a primary or secondary coordination site for local, state, and federal emergency service and relief efforts. The structure and grounds have plenty of space to serve as a major storage depot. The heliport can move key people and supplies without encumbering adjacent airports.

3. SITE PLAN

The recently purchased 20-acre site will integrate at least four functional areas -- a fire station and emergency response center, a communications center, an education and training center, and a regional disaster response rallying point. Our facility site plans are included in the exhibit section of this proposal.

One large structure and focal point of the facility will be the fire station/communications/education center. It is a stand-alone structure designed to house the communications facility, staff offices, equipment and file storage, crew quarters, a kitchen, and work-out area. As part of the education center there will be classrooms, an auditorium, and a training area with structures for simulating various emergency response situations. The heliport includes a landing zone, storage, maintenance facilities, and crew quarters.

A high technology, well planned, well-stocked facility with a fully trained staff can be the difference between life and death.

Our facility will house an emergency response center, an education facility, and a communications center.

To facilitate a well-prepared regional response effort, storage structures will be constructed to warehouse emergency/medical supplies and equipment for rapidly deploying to incidents in the region.

This facility, with a state-of-the-art communications ability, a heliport, and a stockpile of emergency response goods and equipment, offers a rapid response rallying point for emergency management people from local, state, and federal agencies.

Our training facilities, up-to-date communications technology, and a central location provide our site with an Emergency Response Center prepared for the future.

4. DEMOGRAPHIC PROFILE

Our facility will be an excellent choice for emergency management operations because of the prime location for quick access to the major metropolitan areas of Northern Illinois, Southern Wisconsin, and Northwest Indiana. The site is in a rural area serviced by major highways, and is within one hour driving time to Chicago, Milwaukee, and Rockford. By helicopter the major metropolitan areas are approximately 20 minutes away from our site.

The rural location, with primarily emergency response functions, will provide little if any negative impact. Preliminary discussions with community leaders have been positive. Delivering emergency care, offering a community education center, and making site improvements are providing a positive image for this rural community.

This facility will serve communities in three states, populated by more than 11 million residents and 17 million visitors.

Our site provides an ideal location for regional access. The Northern Illinois, Southern Wisconsin, and Northwest Indiana area, that surrounds this site, is home to approximately 11.2 million residents, plus another 17 million visitors annually.

5. SITE USE

This facility is not intended to replace current local, state, or federal Emergency Management Agency Emergency Operations Centers. It is a supplement for a system that needs support. Our region provides emergency services to a large population. Most of the resources are concentrated in the Chicago area. With a continually growing population, resources will be strained. For instance, if a situation arose in Chicago requiring the diversion of rural emergency resources, the rural areas are then vulnerable if an emergency arose in their home community. Because of its central location, resources from our facility could be dispatched wherever required. In addition to ground transportation, our helicopter fleet is essential when emergency transportation is required for trauma cases or when necessary to reach remote areas. This facility is important and essential for being prepared and saving lives.

This facility can support local, state, federal existing services during catastrophic events.

Not only is this facility able to provide services to the communities in three states, but could also be deployed to other states or foreign countries. This could include natural or manmade disasters, or terrorist attacks.

5.1 FIRE STATION

On a daily basis the new facility will serve as a fire station, staffed with well-trained personnel and excellent equipment. We are currently responsible for fire, rescue, and emergency medical services to our community, and we provide the administration of an active local Emergency Management Agency.

Our daily activities include, but are not limited to: ensuring timely responses to reports of fires; containing fires to their point of origin, thus reducing injuries to persons and damage to property; responding to accidents and other emergencies; and providing additional resources to other fire departments.

Our helicopter fleet is another emergency response resource in addition to ground transportation. When required, we can dispatch medical personnel, supplies, and additional firefighters to remote sites.

5.2 COMMUNICATIONS CENTER

The communications center will be secure, below grade, and fully equipped to communicate with all fire and law enforcement agencies. We can also communicate with federal authorities that may be involved during a catastrophic incident.

Current police and fire department facilities', including our own, are susceptible targets for environmental and manmade disasters. Research has shown that terrorist acts often are targeted at public services. Understanding this hostile environment, we will use technology that reduces our exposure to threats and intentional sabotage.

5.3 EDUCATION CENTER

The design for the site's education center is based on the need for a high technology facility not currently available. Our center will have the appropriate classroom and seminar space for emergency response center staff. A practical skills training area intended for offering community education programs and emergency response training for local and regional emergency service agencies is also included in the site plan.

With state-of-the-art classrooms and auditorium, the education center will focus on emergency response issues, preparation, and prevention. Community education programs will cover everything from manmade and natural disasters to self-help programs that will prepare people in the event of a catastrophe. Emergency responders can use the high technology campus to simulate and prepare for handling terrorist actions, hazardous materials, and natural disasters.

The education center will include:

- classrooms and an auditorium (with state-of-the-art presentation equipment)
- a training building (with flame, smoke, and toxic gas simulator)
- a heliport that will serve as an emergency point of action and training facility
- rail mock-up (freight and passenger for emergency simulations)
- various terrain (above and below grade simulation areas)

The focus of the education center will be fire and emergency service personnel training, and regional civilian population education. We will train and maintain the emergency service personnel in their daily skills of fire fighting, rescue, and medical work. Because of the civil implications of terrorism and manmade or natural disasters, emergency service personnel are educated to deal with situations involving chemical and biological agents, other hazardous materials, and the psychological and physical effects that these disasters have on people.

The courses offered will range from half and full-day seminars to full curriculum, multi-week courses. The courses will include, but are not limited to, the following.

Emergency Services

- Basic fire fighter training - 240 hours
- Advanced fire fighter training - 240 hours
- Fire officer courses - nine 48-hour courses

- Management I,III,III, and IV; Instructor I and II; Prevention; and Tactics I and II
- Hazardous materials courses - two 48-hour courses
- Technical rescue courses - eight to ten 48-hour courses high angle, trench, confined space, and structural collapse (some of these courses are still in development)
- Fire service instructor program - three or four 48-hour courses (some are in development)
- Emergency medical courses
- Continuing education programs
- All aspects of medical, helicopter safety and landing zones, fire, rescue, and emergency services
- Live fire training
- Emergency rescue operations
- FEMA courses for emergency services
- Basic water safety

Seminars and Conferences

- Career development
- Terrorism awareness
- Hazardous materials
- Emergency management
- Mass transit emergencies (trains, buses, aircraft)
- Managing terrorist incidents
- Specific threats of mass destruction
- Bio-chemical threats

Public Courses

- Emergency medical techniques- CPR and first aid
- Civil emergency courses - self help for dealing with catastrophic incidents (natural and manmade)
- Fire and life safety programs
- Facility availability and potential
- Fire and emergency services - guaranteed
- Law enforcement training - many potential hours

State law enforcement training groups and local police jurisdictions can use this facility. We also foresee potential use by local school districts and community groups.

We envision the education center to be a focal point for groups from the emergency service staff and the citizen population. Research shows that half and full day seminars are likely to draw 200 to 300 people per offering. Currently, a lack of adequate space prohibits these programs from being regularly offered. Fire service courses alone are drawing 25 to 30 students per course. Research of regional fire academies indicate an annual attendance of 300 to 400 fire fighters per year for basic level training, and an additional 400 to 500 for the advanced and specialty fields.

The demand for classroom space is at a premium. Local colleges and other institutions cannot meet the demand. Classes are often full or are not offered at all. This facility would focus on these tremendous needs. Through arrangements with local colleges and other teaching institutions, this facility would be able to host and house many of these programs. Off campus teaching agreements are already in place on a limited basis and are a good start to building partnerships in education.

In the two counties immediately adjacent to this training site, there are 45 fire departments with rosters of personnel between 40 and 150 personnel each. Multiply those numbers by the collar counties of Chicago and the areas around Rockford and Milwaukee and you begin to see the fire services needed.

The Police Department, the Department of Public Works, and other County and Municipal Agencies have similar space and training needs. Our proposed facility can meet these needs. When our plan is fully developed we are likely to see thousands of fire, rescue, and emergency workers, and supportive agencies like public works and others using our facility. Additionally, community public education programs will likely exceed 3000 to 4000 based on current statistics and future projections.

While this facility is being planned around the emergency services, it needs to be stressed that this education facility meets both the needs of the emergency responders, and the needs of the community. By working with the community, we can educate citizens on fire safety and emergency life saving techniques.

6. REGIONAL EMERGENCY RESPONSE

Our facility will be ideal for use by federal agencies during major catastrophes. The central location and close proximity to the major metropolitan areas of Chicago, Milwaukee, Rockford, and Northwest Indiana make this site conducive for emergency management at all levels.

This site will provide a central location for the storage of emergency supplies and equipment that can be air lifted or sent by ground in a timely manner. The heliport and crew quarters give this facility the ability for a crew to respond to any of the major cities within an approximate twenty-minute flight time. Ground transportation can be deployed from the site and reaching most destinations in the same major cities in approximately one hour.

Our central location with ground and air transportation, an education center, and a communications facility will enable us to respond timely to disasters, accidents, and terrorist attacks.

Additionally, we will be fully staffed and equipped to support government agencies during crises.

Government emergency officials will be able to use the secured communications and office areas to coordinate all disaster relief efforts. Quick interagency communications are possible with the equipment provided at this site. Our performance will be unmatched by current capabilities due to a well-trained staff, the facility's central location, and a high technology equipment in the communications center.

Federal, state, and local agencies will have immediate access to an education campus designed for emergency service training. This site will facilitate interagency training and build on interagency cooperation as we plan and prepare for inevitable catastrophic events.

As we stated in Section 5 of this proposal, this facility is not intended to replace current local, state, or federal Emergency Management Agency Emergency Operations Centers. It is a supplement for a system that needs support.

7. PRELIMINARY COST PROJECTIONS

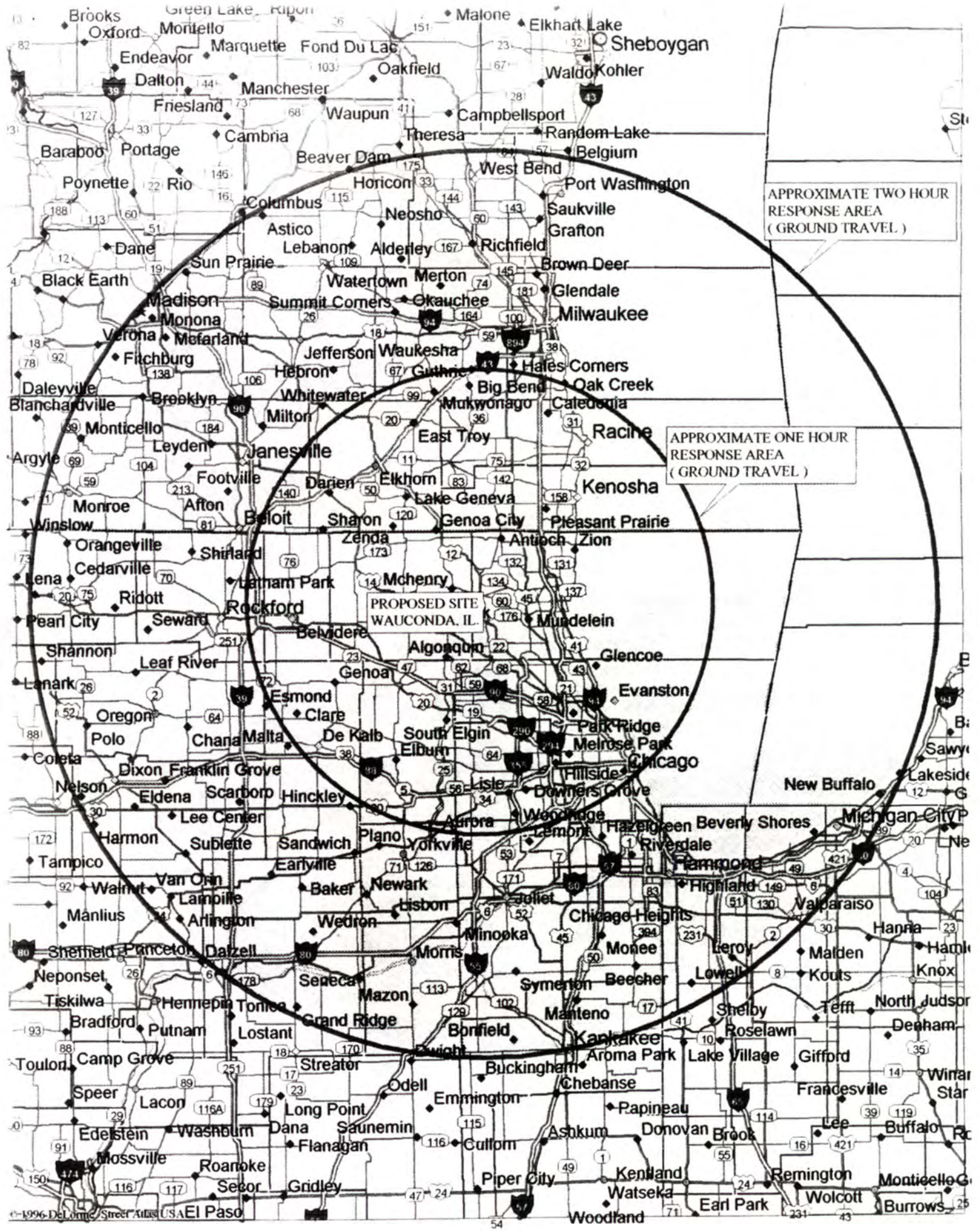
Our budget for the proposed facility is included below.

PROPOSED ITEM	COST
Site Development	\$ 1,500,000.00
Fire Station	\$ 5,520,000.00
Communications Center	\$ 1,200,000.00
Education Center	\$ 2,500,000.00
Training Site	\$ 977,000.00
Storage Facilities	\$ 550,000.00
Heliport - including hangar and crew quarters	\$ 650,000.00
TOTAL	\$ 12,897,000.00

8. EXHIBITS

The following exhibits are included in this proposal.

- A regional map
- The fire station plan
- The training site plan
- The education center plan
- The heliport and building plan

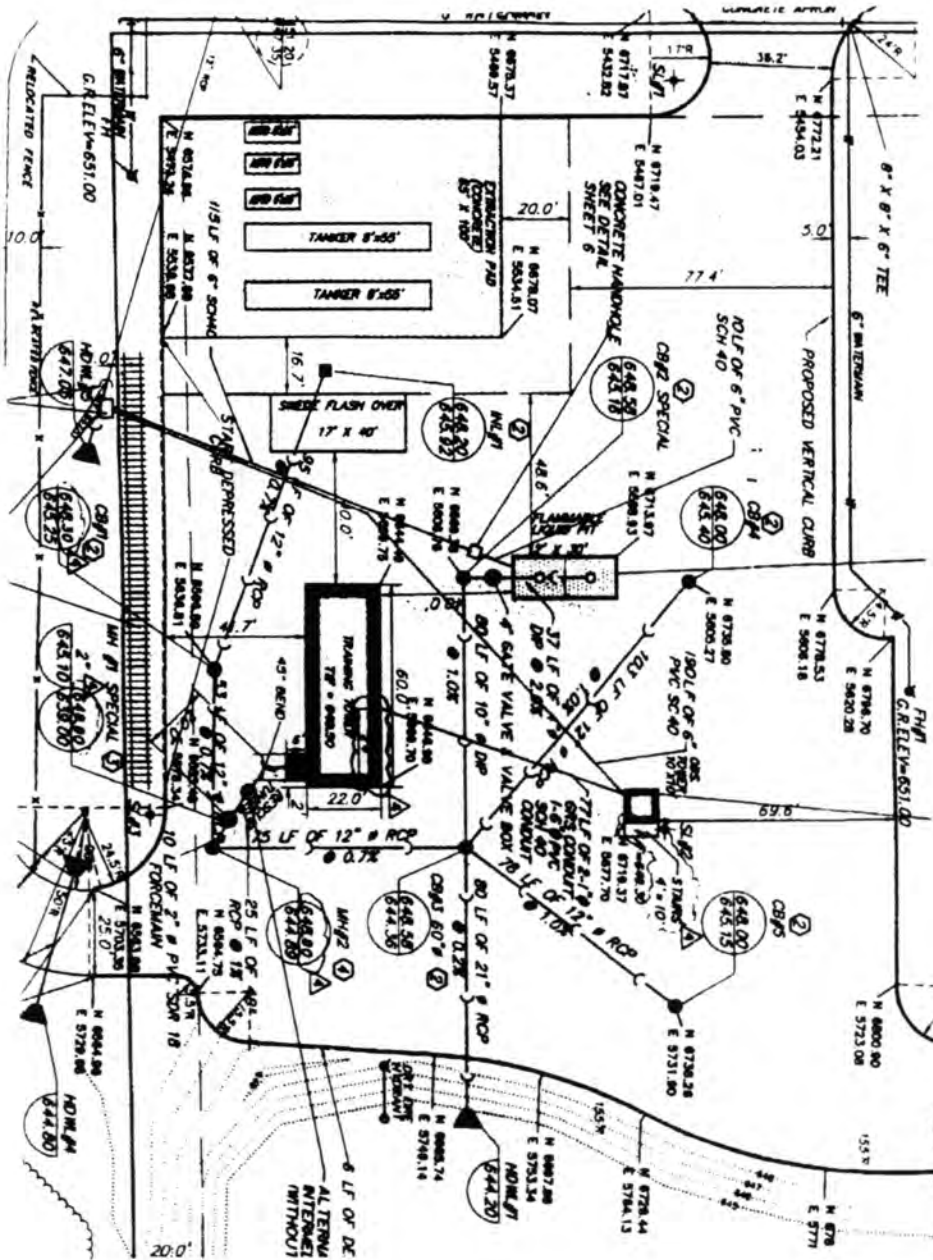


APPROXIMATE TWO HOUR
RESPONSE AREA
(GROUND TRAVEL)

APPROXIMATE ONE HOUR
RESPONSE AREA
(GROUND TRAVEL)

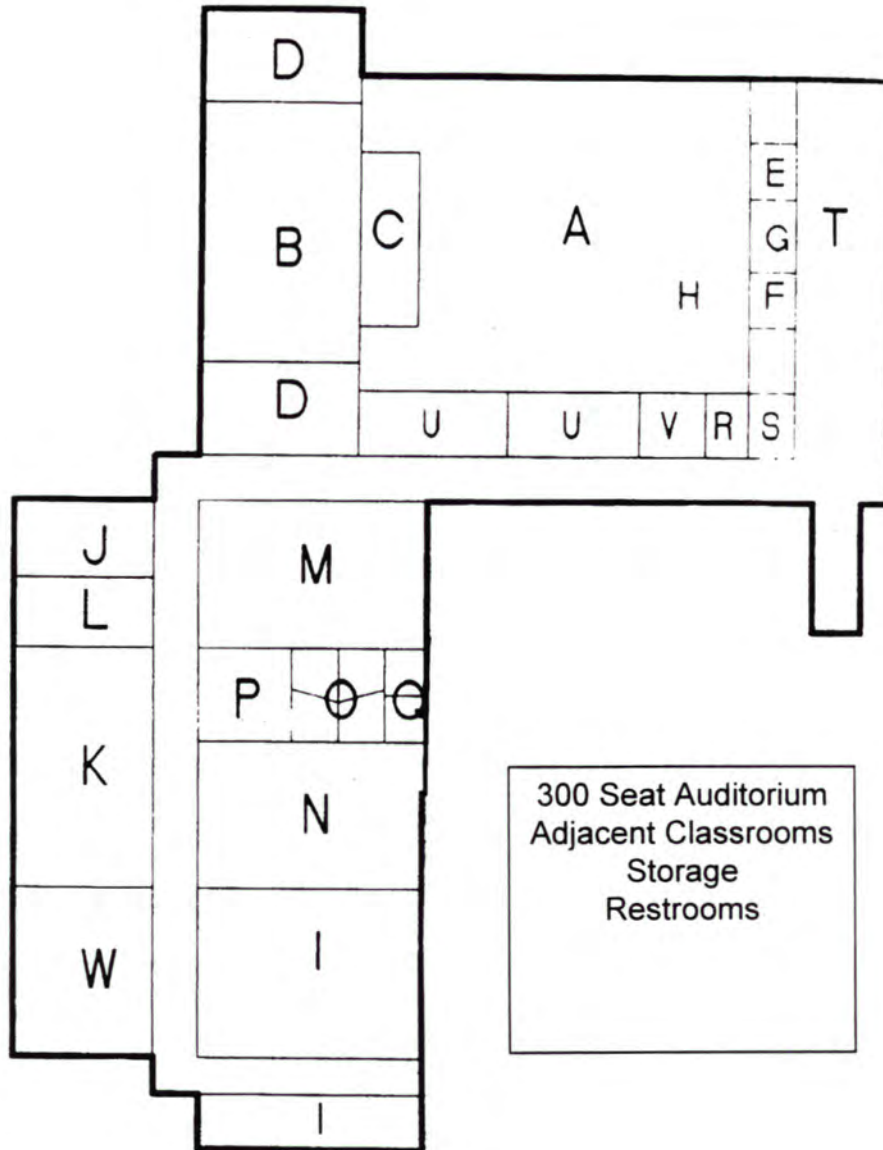
PROPOSED SITE
WAUCONDA, IL

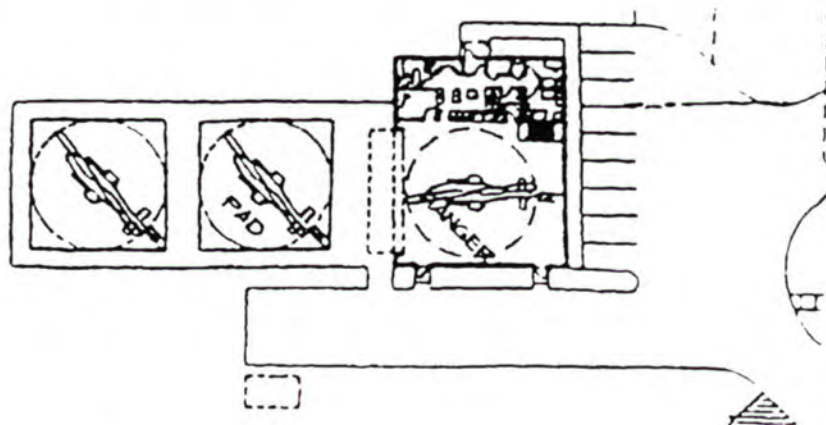
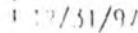
TRAINING SITE PLAN



EDUCATION CENTER PLAN

(This will be integrated into the training area of the station or a stand alone structure)



QUARTERS

THE PRESIDENT HAS SEEN
12-7-98

Copied
Bergen
Podesta

**SUGGESTED CLOSING REMARKS
CINC's BUDGET MEETING**

December 7, 1998

- Thank you for coming over to discuss the very real concerns and needs that you have outlined.
- I hope that it was helpful for Jack to outline the broader context that we all face, as we try to maximize our ability to save social security **and** ensure that money beyond that solution goes for our priorities, like readiness, not simply large tax cuts.
- Out of this meeting, I want you all to continue to work with OMB and the NSC to narrow the problem. Jack, I want you to help work through this and I ask you all to help Jack.
- [IF RAISED: I understand how difficult your testimony was and how out of line the Congress was in September.]
- I know how well you do your job and hope that we can work this through.

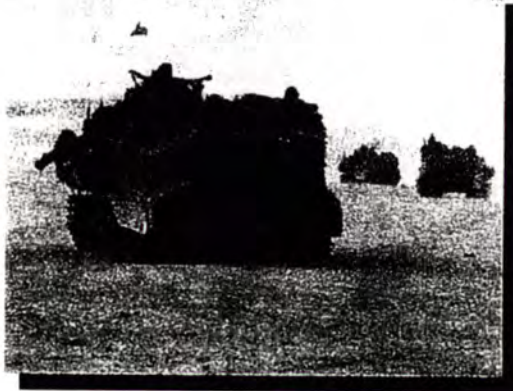
THE PRESIDENT HAS SEEN
12-7-98

Sandy

for gr. file

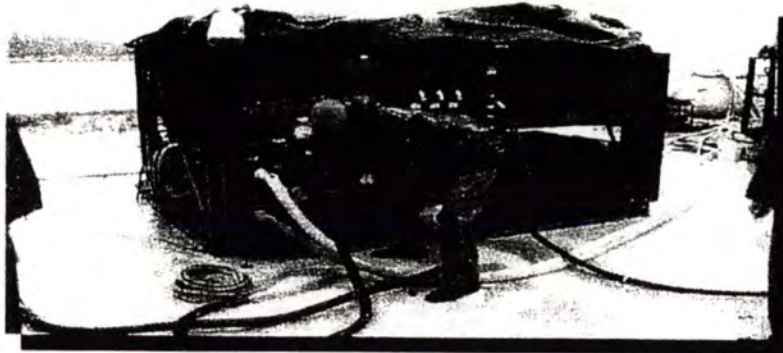


Aging Ground Equipment



Amphibious Assault Vehicle

Equipment Age:	27 years
Service Life:	20 years
Last One to Retire:	39 years



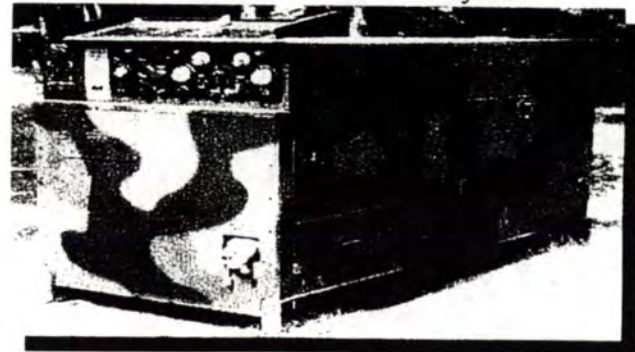
Reverse Osmosis Water Purification Unit

Equipment Age:	13 years
Service Life:	10 years
Last One to Retire:	25 years



5-Ton Trucks

Equipment Age:	18 years
Service Life:	20 years
Last One to Retire:	25 years



Power Equipment

Equipment Age:	21 years
Service Life:	10 years
Last One to Retire:	26 years



Aging Aircraft



KC-130F

Equipment Age:	37 years
Service Life:	20 years
Last One to Retire:	63 years



CH-46E

Equipment Age:	30 years
Service Life:	30 years
Last One to Retire :	47 years



CH-53D

Equipment Age:	28 years
Service Life:	20 years
Last One to Retire:	37 years

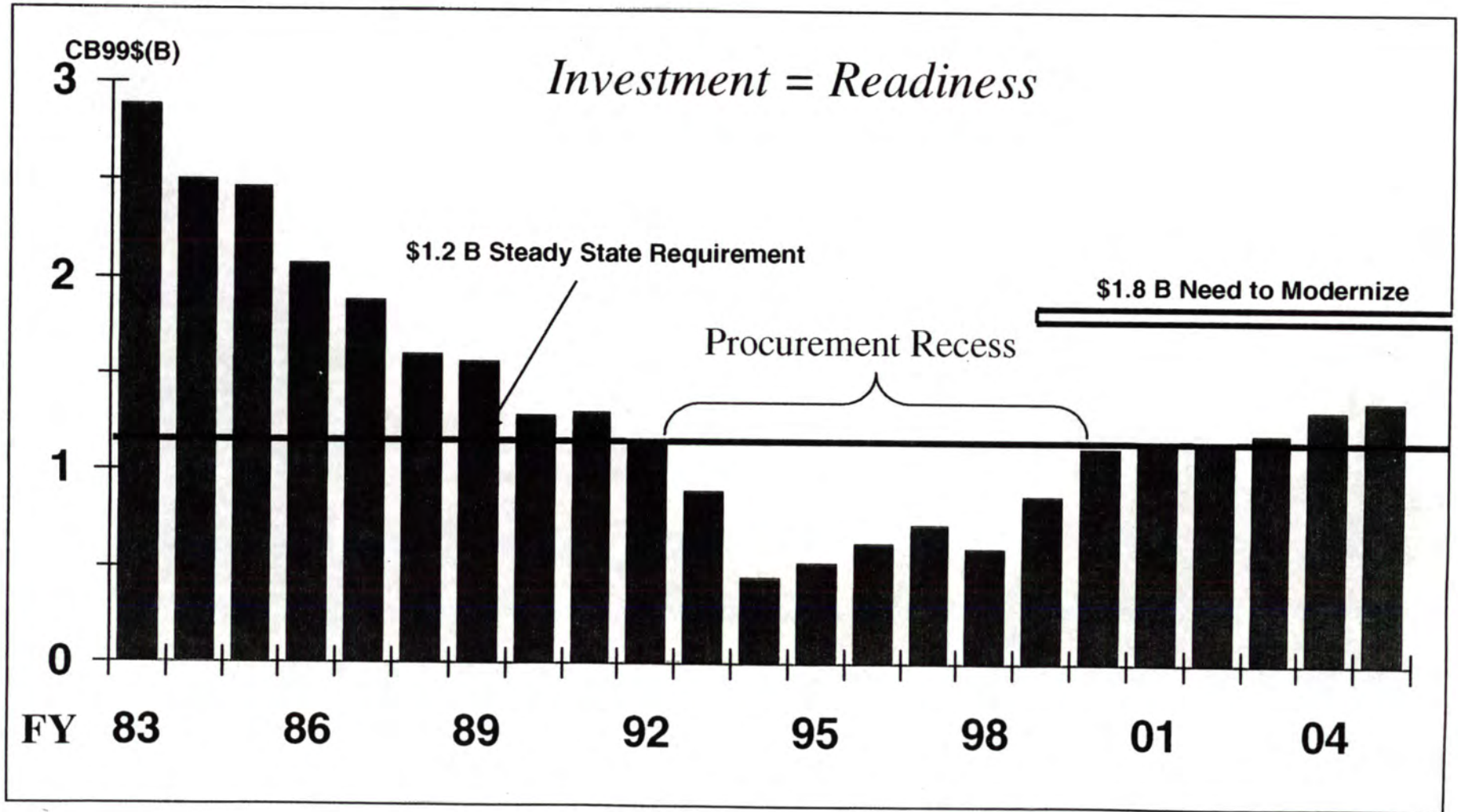


UH-1N

Equipment Age:	24 years
Service Life:	20 years
Last One to Retire :	34 years



Historical Procurement Summary



Outcome of OMB - DoD Budget Process

(TY Billions)

	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>Sum</u>
DoD Requirement	19	22	24	26	27	30	148
<i>Defer Modernization & Facilities</i>	- 6	- 8	- 7	- 7	- 5	- 2	- 36
DoD Reduced Request	13	14	16	19	22	27	112
<i>Contingencies Year-by-Year</i>	--	- 2	- 2	- 2	- 2	- 2	- 10
Initiatives	+ 1	+ 1	+ 1	+ 2	+ 1	+ 1	+ 7
Net after Adjustments	14	13	16	19	22	27*	109
<i>Fuel, Inflation, & Other Savings</i>	- 6	- 5	- 5	- 4	- 5	---	- 24
Unresolved	8	8	11	15	17		

* Tentative agreement to increase
DoD topline in FY 05.

\$58 Billion

1. Force - 3876, Price - 6076
2. Down fr. 85 17 7 4
3. Price - ① Pay (Return / Pay Tab) 4.
② Wng 3.2 (of 10.3 pps)
③ Reason 24 < aircraft (58-742)
training
photo, tech. stuff
④ Reason 18 < 11 upgrade
7.5 New weapon.

-
- Offset → ① spend & expiring 3b
② DoD Return cost 2b
③ defer account 4b
④ Break down 2.5
⑤ 1kg reform.

12-7-98
Suggested Questions on Defense
Budget for POTUS

1. I want to understand better where we think we can press Congress to agree to proposals or changes that will produce savings that we can use as offsets against the additional resources you believe are needed through FY 2005 to meet our goals of preserving readiness, supporting our troops and modernizing the equipment we need for the next century.

- Approving two more BRAC rounds will apparently produce savings through FY 2005 on the order of \$2.5 billion. How good a chance (Bill Cohen) do we stand of winning Congress over on that proposal this coming year?
- How much could we save if Congress approved some of our other efficiency proposals, including contracting reforms? Are those savings assumed in your Future Years Defense Plan (FYDP)?
- Can we develop a winning recission or program termination strategy to cancel unrequested and unneeded weapons programs that Congress has added in recent years to the defense budget? If so, would that produce meaningful savings?

2. Over the last several years, we have as a general rule postponed progress toward our ultimate procurement goals in the name of keeping readiness high -- at least for our "first-to-fight" and forward deployed forces. OMB believes that we can offset more of the increases we require for readiness if we distinguish between, on the one hand, procurement programs that are urgently needed now to avoid exacerbating our near-term readiness problems and to ensure we can continue to carry out our QDR missions and, on the other, procurement that is intended to bring more advanced technology into our weapons systems or avoid block obsolescence around 2004 or 2005.

- What do you (Bill Cohen) think of that distinction, and is there some way it can help us through our common problem?

3. If we end up asking you (General Shelton) to offset significantly more of the personnel, readiness and modernization increases than you think is advisable, at what threshold do you conclude that we have no recourse but to downsize our military force structure further than we already did in the QDR?

4. If we had to reduce the force further by eliminating ships, air wings and/or divisions, would we need to scale back on our current level of global engagement?

- If so, where (Bill Cohen) would you start?

5. Except for a commission that John White headed in 1995 and, to a degree, in the QDR, the Joint Chiefs of Staff have not gone through a "soup-to-nuts" ~~review of~~ roles and missions redundancies since General Powell issued his report as Chairman in 1993.

- Are you (General Shelton) planning to conduct a roles and missions review pursuant to the Goldwater-Nichols legislative requirement during your current term as Chairman?
- How likely is it that such a review might produce savings?

6. I understand that as the new Chairman of the Armed Services Committee, Senator Warner is planning to hold readiness hearings beginning January 5th. How should we (Bill Cohen and General Shelton) approach those hearings, since FY 2000 and FYDP budget decisions will have been made, but not announced?



12-7-98
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

980906-435

THE DIRECTOR

December 6, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew

SUBJECT: Meeting with Secretary Cohen and Military Chiefs to Discuss Defense Budget

John requested we summarize our analysis of DoD's budget request for your Monday meeting with the Chiefs. The Department's request was \$147.5 billion above the planning guidance level (over six years), covering all areas of DoD concern, including readiness shortfalls, personnel problems, weapons modernization, and infrastructure upgrades. Given fiscal constraints, OMB's analysis focused on funding near-term readiness and personnel problems, deferring some long-term modernization and facilities upgrades. This memorandum seeks to highlight the differences between OMB and DoD, and describes the offsets we propose to pay for the remaining DoD request.

At our meeting last week, you asked about the amount of progress that OMB and the Defense Department have made in closing the gap between DoD's budget request and OMB's estimate. On reflection, I would like to clarify that DoD and OMB have agreed to offsets and reductions to the request totaling \$6.5 billion in fiscal year 2000 and \$33.2 billion over five years. The remaining gap is \$7.4 billion in 2000 and \$57.4 billion over five years.

Since their original submission, DoD has indicated a willingness to reduce its request to \$112 billion over six years, which equates to \$84.6 billion over five years, the standard used below for comparison.

Defense Request and OMB Analysis

Personnel: DoD is seeking additional funds to cover higher pay raises (\$17.3 billion), a change to the military retirement system and a reform of the current pay system (\$7.5 billion).

- **Pay Raise** - OMB directed all agencies to absorb the costs of the higher pay raise, but DoD, as it has in the past, has requested increased funding to avoid cutting military forces. OMB agrees that DoD requires additional resources to fund the higher pay raise to forestall force structure cuts.
- **Retirement** - The Chiefs seek to restore the pre-1986 retirement system in which those having served 20 years receive 50% of base pay (versus 40% now) and full COLA increases each year (versus COLA-1% now). This costs \$7.5 billion. We are considering a compromise reinstating the 50% benefit (but not full COLAs),

which costs \$3.5 billion, in the context of an overall package including pay table reform.

- Pay Table Reform - DoD would enhance pay for promotions, versus longevity, by lowering the FY 2000 pay raises (below the approved 4.4%) for junior enlisted members whose pay is deemed competitive with the private sector, but increase it for more senior personnel. This costs \$4 billion. OMB would require DoD to absorb at least some of this cost, or fund it in lieu of providing full COLA increases under the retirement restoration proposed by the Chiefs.

Together these three items constitute a generous pay package. There is weak evidence of a general retention problem (except in some key occupations such as pilots and computer programmers), mid-career enlisted retention rates are high, and individuals are staying in the service longer. Nonetheless, the Chiefs are pushing hard for the retirement system restoration and would support a leaner retirement benefit (that is, not providing full COLAs, which is similar to the proposal made by Rep. Murtha) only if accompanied by pay table reform.

Readiness: DoD requests \$21.1 billion over five years to address readiness concerns. The services face problems with the readiness of Navy and Air Force aircraft, Army unit training, personnel shortfalls in certain key occupations, some types of weapons maintenance, and the cost of running and maintaining base infrastructure. DoD's request would support increases for: spare parts and combat gear; weapons maintenance; unit training, including substantial funding for Army reserve units; funding for base operations to prevent the diversion of training funds; more soldiers to fill short-staffed combat units; and selected recruitment and retention bonuses.

Our \$17.6 billion readiness budget would support those programs having a direct effect on near-term readiness needs. Items deleted include large increases for late deploying Guard and Reserve units and Army depot maintenance, the virtual elimination of already modest backlogs in Air Force depot maintenance, and the full increases in infrastructure spending. However, we added funding for spare parts purchases in the Navy and the Army to address potential shortfalls in these programs. At OMB's proposed funding levels, we believe DoD will have sufficient funding to address all the major readiness concerns.

Modernization: DOD is requesting \$18.4 billion for modernizing military equipment--\$10.9 billion to upgrade aging equipment and \$7.5 billion to procure next-generation weapons -- which DoD contends is required to sustain readiness in the long run. Aging equipment becomes more expensive to maintain, and this problem has worsened over the past several years as DOD deferred critical modernization to fund readiness shortfalls. DOD would fund improvements to systems not soon slated for replacement. DOD also is concerned about the affordability of its longer-term modernization effort--replacing of existing systems with the F-22 fighter aircraft, for example--and asks for \$7.5 billion to reduce the risk of cost overruns. DOD's modernization request would enable it to achieve its goal of \$60 billion per year for procurement beginning in FY 2001.

OMB favors \$5.3 billion for modernization, \$13.1 billion less than DOD's request. OMB would reduce DOD's request for aging equipment by \$5.6 billion, funding only those aging-equipment related items that would have a direct impact on the near-term readiness of our forces: purchases of spare parts for aircraft, ammunition, and upgrades to existing aircraft to improve reliability. OMB defers DOD's entire \$7.5 billion request for long-term modernization funding pending further review. (\$297 billion over five years is included for modernization in DoD's base budget.) OMB's recommended level, when combined with proposed offsets, would enable DOD to achieve its \$60 billion procurement goal in all years except FY 2002.

Facilities: DoD is requesting an additional \$10.5 billion for infrastructure, including \$3.2 billion for family housing and barracks. The funds would reduce a large backlog in repairs to DoD property, replace aging defense infrastructure, and improve soldiers' quality of life. DoD maintains that at current funding levels it would take 225 years to replace its existing infrastructure. DoD's request would reduce this replacement rate to under 100 years and sustain the average age of facilities at 40 years. In addition, DoD claims that 62 percent of its military family housing is inadequate, and that its barracks need to be upgraded.

OMB recommends no additional funds for DoD infrastructure (beyond the \$60 billion over five years in its base budget). This funding can be deferred in the near term. Additional funding for family housing would only marginally improve the condition of DoD's inventory. Moreover, DoD should rely more on housing in local communities near its bases, and should demolish existing inadequate DoD family housing units. Where this is impractical, DoD should rely more on private capital to build and manage DoD housing ("privatization").

White House Initiatives: We have identified eight areas of White House concern that require \$6 billion in funding. These initiatives were not requested by the Department of Defense; they include Russian threat reduction, missile defense, counter proliferation, counter terrorism, counter narcotics, and classified programs.

Contingency Operations: DoD requests \$10 billion over five years to fund contingency operations, in order to build funding for contingencies into its topline. OMB's option would provide \$2 billion for Bosnia in FY 2000, but no funding for contingency operations in the outyears. DoD agrees.

How We Pay For It

To fund DoD's critical requirements and White House initiatives, OMB identified almost \$91 billion in offsets or cuts to the DoD request. Of these, DoD agreed to offsets totaling over \$33 billion.

Agreed offsets include savings from lower assumptions on inflation and fuel prices, repricing of BRAC costs, lower wage credit payments, reduced military construction overhead, and a reallocation of \$5 billion in PAYGO balances to Defense. As noted above, DoD agrees to seek Bosnia funding for only FY 2000, reducing their request by a total of \$8 billion.

Of the disputed offset proposals, DOD is most likely to accept a portion of the \$19 billion from four technical adjustments. Three require legislation: granting authority to DOD to spend funds that would otherwise expire (\$3 billion); granting the Secretary of Defense

unspecified rescission authority in FY 2000 (\$2 billion); and directing scoring of the Chiefs' proposed retirement change that would defer the accrued liability until FY 2005 (\$4 billion). The fourth would allow DoD to not to display in the FY 2000 budget the resources required for military and civilian pay raises in FY 2003-04 (\$10 billion). DOD will argue that Congress is unlikely to pass the necessary legislation, forcing DoD to cut programs to stay within the caps.

DOD is less likely to agree to deferring \$18 billion of long term modernization and facilities improvement. OMB proposes deferring, for example, certain ship replacements and the acceleration of ongoing procurement programs, as well as real property repair and construction. Although we judge the requirements to be genuine, we believe these programs warrant additional review because the Department has not provided sufficient justification for the need to increase modernization and facilities funding above levels approved in the QDR.

The Department contests the \$7.5 billion in efficiencies and weapons system reductions proposed by OMB. DOD could find significant manpower savings (almost \$3 billion) by performing business process reengineering in conjunction with investing in two new information technology systems. OMB also believes the Department could expand its outsourcing and privatization effort and save almost \$1 billion more than earlier estimates. The Department states that it has been aggressive in this area and has wrung out all savings possible in the face of substantial policy and legal constraints. The Department also has questioned the OMB analysis, arguing the anticipated savings estimates are too ambitious.

OMB also identified over \$3 billion in savings by reducing funding for specific weapons systems that do not enhance military capabilities. DOD believes that each of the proposed cuts is unacceptable for some reason: Congressional opposition (C-130J cargo aircraft), strong support by the Chiefs (deferral of new nuclear aircraft carrier program), questionable cost savings analysis (airborne laser), or mission requirements (Blackhawk helicopters, other minor weapons systems).

Our review suggests that **almost \$6 billion could be saved by funding only the procurement items that directly enhance near-term readiness.** Items to be funded include ammunition, spare parts for aircraft, and upgrades to existing aircraft. OMB's proposal would achieve the QDR procurement goal of \$60 billion in FY 2001, but not FY 2002, when it is \$500 million (or less than 1%) short. DoD disagrees with OMB's determination of which procurement programs support readiness; they argue that the full amount is needed for readiness and to meet the \$60 billion goal in all years.

Finally, **OMB has identified \$7.5 billion in savings from reducing the request for unnecessary readiness enhancements.** We would propose not funding an additional \$3.5 billion funding for depot maintenance and for enhanced training for late-deploying Army Guard and Reserve units. DoD disputes that assessment, judging these additional investments will result in improved readiness.

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12-7-98
THE POLITICAL SCENE

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THE TOWN THAT ATE ITSELF

The rise of tabloid politics began with Newt Gingrich, but the causes went much deeper. How did the Republicans and the Democrats confuse scandalmongering and endless prosecutions with governing?

BY JOE KLEIN

LATE in the afternoon of May 15, 1984, Speaker of the House Thomas P. (Tip) O'Neill, a politician known for his even-tempered charm, publicly and unexpectedly blew his stack. The moment was astonishing for several reasons. Speakers of the House rarely set aside the gavel and step down to take the microphone in the well; when they do, it usually is to provide a dignified conclusion to a debate of national import. But this was a spontaneous moment of rage. O'Neill rumbled down the center aisle of the chamber, seized the lectern, and began to excoriate a fellow-representative—an obscure backbencher, at that—for what he believed to be a severe breach of decorum. His face lobster-red and his finger wagging, O'Neill began to yell, over the derisive hoots of the Republican opposition, at a junior member from Georgia. It should come as no surprise that the member who had provoked O'Neill to such unseemly rage was Newt Gingrich.

"It was Newt's first big victory," Vin Weber, a former Republican representative from Minnesota who was a close Gingrich ally, said recently. "And it was a huge mistake on Tip's part." It was also one of the first significant skirmishes in the present era of personal political assault—an era that some observers hope may be coming to an end with Gingrich's departure as the current Speaker, his replacement by Bob Livingston, and Bill Clinton's settlement of the Paula Jones sexual-harassment case.

O'Neill had been boggled by three developments that were to become prominent features of today's political landscape: a new generation of abrasive, disrespectful baby-boom politicians from the suburbs (O'Neill was, of course, a titanic urban anachronism from the Boston area); a more partisan

and ideological Republican Party, with a rising crop of Southerners to lead it; and the arrival within the halls of Congress of a disruptive new medium—television.

In point of fact, O'Neill had gone berserk over the Republicans' use of C-SPAN. A week earlier, Gingrich had made a late-night speech in which he seemed to question the patriotism of several Democrats, by name. The chamber was virtually empty, but his real audience was cable-TV viewers across the country. With the camera fixed, by House rules, on the orator, he was able to challenge the Democrats to defend their votes against defense spending. There was no way for the audience to know that the Democrats could not respond. O'Neill decided to change the C-SPAN rules without consulting the Republicans: he would allow cameras to pan the empty chamber. Gingrich rose to protest the "unilateral" decision—which led to O'Neill's angry response. "You deliberately stood in the well of this House and took on these members when you knew they would not be here," the Speaker shouted at Gingrich. "It's un-American. It's the lowest thing that I've heard in my thirty-two years here."

Chaos ensued. Representative Trent Lott, of Mississippi, the deputy Republican leader, demanded that O'Neill's comments be "taken down," since they violated House rules prohibiting derogatory remarks about fellow-members, and Representative Joseph Moakley, of Massachusetts, an O'Neill protégé, who had taken the chair, reluctantly was forced to agree. The Republicans, down-trodden after thirty years in the minority, were stunned and delighted: one of their most outspoken and least popular members had humiliated the Speaker of the House. Gingrich was given

a standing ovation as he took his seat.

"That was the opening shot in the war," Weber recalled. "I guess I have mixed feelings about it now. I'm not ashamed of the things I said." Weber had contributed to the mayhem, calling O'Neill "one of the cheapest, meanest politicians to occupy that office in this century," but he'd said it off the House floor, and therefore free from the shackles of parliamentary language. "The Democrats were arrogant to the point of corruption," Weber added, "and Newt's idea was to expose the arrogance and corruption for what it was. It was guerrilla war, and I don't think we could have won the House in 1994 without those sorts of tactics. But the victory came at a price, and the price was a loss of civility. And we are paying for it now."

Indeed, a sustained, ever-deteriorating culture of personal assault was institutionalized in Washington well before the discovery, last January, that Monica Lewinsky delivered pizza to her President. It was not merely Gingrich's doing, either. The political atmosphere had turned rancid with hearings and investigations and special prosecutors and accusations and diatribes directed against public figures. The accusations and diatribes were nothing new, of course; but now they were accompanied by endless legal procedures. "There have always been political scandals," said Gordon S. Wood, the Pulitzer Prize-winning Brown University historian. "There have been periods of severe partisanship and vitriolic rhetoric. But I don't think we've ever had a time in American history like this one, with so many prominent figures facing legal action, and with politics criminalized."

In the past decade, scandals—sometimes over the most niggling misdemeanors—have become the defining

events of public life, often far more compelling and significant than elections. In Washington, there has been a fierce, undeclared war between the two parties over what has come to be called "ethics" but has usually been something less than outright illegality; rather, it has been "The Appearance of Impropriety"—to quote the title of a recent book by Peter W. Morgan and Glenn H. Reynolds. The Clinton impeachment fiasco is only the latest in a series of public carnivals, orchestrated by furious partisans of both parties and cheered on by a happily voracious media. Two Speakers of the House, Gingrich and Jim Wright, of Texas, have been investigated (and Wright was forced to resign) because of ethical questions. Independent Counsels are now chasing two current and two former members of the Clinton Cabinet, as well as the President himself; a fifth investigation was curtailed when its target, Commerce Secretary Ron Brown, died. Three Republican Supreme Court nominees—Robert Bork, Clarence Thomas, and Douglas Ginsburg—have been subjected to severe ideological and personal assault. A slew of Cabinet-level nominees—from John Tower to Anthony Lake—have been shot down, for reasons either trivial or incomprehensible and in any case long forgotten. And, just below the level of media attention, hundreds of other government officials

have been investigated on charges—often frivolous complaints, filed anonymously—that were brought to the attention of the Inspectors General of the various Cabinet departments. At the moment, the nomination of Richard Holbrooke to the post of United Nations Ambassador is being held up by an anonymous conflict-of-interest complaint made to the State Department's Inspector General.

All this in a Washington that is, by most accounts, far less corrupt than it has ever been. "Compare this Congress to the one in 1950, during the era that many of the old-timers consider the golden age of civil discourse," Senator Joseph Biden, Democrat of Delaware, says. "Those guys were taking handouts, honoraria, junkets. When I came here, in 1973, Jacob Javits—a distinguished senator—was making money from a private law practice. You don't think he'd be under investigation today? By comparison, these new guys are squeaky clean. I can't stand most of the S.O.B.s—they're ideologues, they practice Khmer Rouge politics—but they are the cleanest bunch of politicians this capital has ever seen."

The phenomenon of constant prosecutions and investigations may be more damaging to the country's political future than any of the charges that have been brought, and this year's electoral reaction may finally compel the con-

tending parties—the politicians, the prosecutors, and the press—to attend to the essential wisdom of the public revulsion against their behavior. But a change in the culture won't come easily: contentiousness and partisan legal harassment have become industries in Washington, providing crude entertainment and satisfying careers for thousands of shortsighted practitioners.

PEOPLE around here think the Clinton thing is an aberration," Alan Simpson, the former Republican senator from Wyoming and now the director of the Institute of Politics at the Kennedy School of Government, at Harvard, told me several days before the election. He reasonably argued that the President's recklessness and brazen untruthfulness were not common to most politicians; that the Starr investigation was justified by the extraordinary circumstances. But after an hour spent reviewing the sordid history of the past fifteen years—particularly the Robert Bork and Clarence Thomas hearings, which Simpson had witnessed at first hand as a member of the Judiciary Committee, and the successful campaign to oust his friend Bob Packwood, Republican of Oregon, from the Senate after a long record of sexual peccadilloes—I asked Simpson if he really thought that the Clinton case was an aberration. He laughed. "No, I guess there's been a sedimentary encrustation of these things," he said. "It might not be happening if all those other things hadn't happened."

The Clinton impeachment debacle is part of a pattern and a pathology in a political system infected by the unintended consequences of affluence, technology, and mangled reform. There are a great many opinions about how the trouble began; there is near-unanimity that the atmosphere must change; but there is not much hope that it can or will.

THE trouble began when we political scientists finally got our wish—'responsible' political parties instead of broad, nonideological coalitions," Nelson Polsby, the Berkeley political scientist, says. "The idea was, of course, completely nuts from the start."

As long as the South was solidly Democratic, the two political parties remained broad coalitions. The Demo-



"Bad news. The mailman is going to attend the parole-board hearing."

crats were a mixture of conservative Southerners and urban Northerners (both groups supported Franklin Roosevelt's populist economic activism, but they agreed on little else); the Republicans represented Wall Street and Main Street, the Eastern elite and the Western middle class (who agreed on a preference for limited government, and little else). In the fifties and the first half of the sixties, the Southern Democrats—who by seniority controlled many of the significant congressional committees—joined with Republicans to prevent much of anything from happening except appropriations for highways and defense.

But the solid South shattered over civil rights. When Northern Democrats decided to support desegregation, a new generation of Southerners emerged within two decades and became Republicans. At the same time, many of the liberal children of the Eastern Republican elites joined the Democrats, as did Southern blacks when they gained the right to vote. As the parties grew more ideologically "responsible," debate became more abrasive and partisan. In the House of Representatives, Democrats—stoked by moral outrage over segregation, Vietnam, and Watergate, and made complacent by their seemingly permanent majority—became far less tolerant of the Republican minority. The musty, ornate rituals of collegiality, the respectful parliamentary language, the staff and privileges granted the minority, were gradually abandoned or severely modified to the Republicans' disadvantage.

Tip O'Neill got his revenge against Gingrich and the Republicans with an outrageous episode in 1985. A very close congressional race in Indiana, between the Republican Rick McIntyre and the Democrat Frank McCloskey, had been decided, on a recount, in favor of McIntyre by Indiana's Republican Secretary of State; McCloskey protested to the House of Representatives, which decided to investigate. O'Neill chose a three-member commission, composed of two Democrats and a Republican. Not surprisingly, the Democrats voted to seat McCloskey—and the entire Republican caucus walked out of the House chamber in protest. "That was Newt's second big victory," Vin Weber says. "People began to think,

Well, if the Democrats are going to be like that, maybe Newt's right. We might as well blow up the place."

Gingrich, empowered, continued his guerrilla warfare. In 1987, he brought ethics charges against Jim Wright, O'Neill's successor as Speaker of the House. The charges were flimsy and confusing at best: Wright was guilty of fairly standard political shenanigans—selling to lobbyists mass copies of a campaign book he had written; a slightly too cozy relationship with a local businessman—and most members of Congress figured Gingrich's campaign would be no more than a minor form of harassment. But the Wright case had an unanticipated aspect that raised the ante considerably and exacerbated the war between the parties: the House Ethics Committee appointed a Special Counsel, a Chicago Democrat named Richard Phelan, to investigate Wright. A year later, Phelan was still digging, and Wright was forced to resign. "I was worn out, completely spent," Wright told me recently. "I couldn't sleep. I could see this thing dragging on another year or two and costing me a million dollars. I couldn't afford that. I gave a speech denouncing the 'mindless cannibalism' that was consuming the Congress and I figured my resignation would so shock and shame the members that they'd end the war. That turned out to be a miscalculation on my part, of course. Things only got worse."

By 1989, when Wright resigned, it was clear that the ethics war had reached a new level of intensity; each side was using high-powered legal weapons to hurt the other. The weapons were of recent vintage—the product of a historic government-reform effort that came after the Watergate scandal. "We were going to reform the system," says Joseph Biden, referring to his arrival in Congress. "But we created more problems than we solved. The campaign-finance laws, the Independent Counsel statute—nothing turned out the way it was supposed to."

Biden might have added the Ethics in Government Act of 1978; the reforms of the Presidential-primary selection process and of the congressional seniority system; the limitations on Presidential war and budgetary powers;

the "whistle-blower" reforms that enabled disgruntled government employees everywhere to bring anonymous complaints against their bosses; and the establishment of independent Inspectors General to process the whistle-blower complaints—a forest of new regulations which sprouted up in the years after Watergate. Much of it was the work of the forty-three additional Democrats elected to the House in

1974—the first major infusion of baby-boom politicians into the Congress. "They came to Congress wanting to end the war in Vietnam," says Jim Thurber, a political-science professor at American University, who

was an aide to Hubert Humphrey in the seventies. But the war ended four months after they arrived, "and the question was, What else could they do?" Thurber says. "One thing they all agreed on was the need to reform government."

Unquestionably, the reforms curtailed some egregious practices, but the powerful new ethics weapons were also put to trivial, partisan political use; the first investigation under the Independent Counsel statute, in 1979, was of Jimmy Carter's chief of staff, Hamilton Jordan, for alleged cocaine use. The second was of Carter's campaign manager, Timothy Kraft, also for alleged cocaine use. No charges were filed in either case. When Reagan came to power, the Democrats returned the favor by investigating Labor Secretary Raymond Donovan, Attorney General Edwin Meese, and the Presidential aides Michael Deaver and Lyn Nofziger—with only Deaver pleading guilty to an unrelated infraction. Indeed, when Donovan was finally cleared after a gruelling investigation, he asked the memorable question "Which office do I go to to get my reputation back?" The only Reagan-era investigation that transcended political pettiness had to do with the Iran-Contra scandal—the plan to sell arms illegally to Iran and use the proceeds to fund anti-Communist Nicaraguan rebels.

Along with the political reforms came an army of political reformers and a new industry, the ethics establishment. "I remember working as a congressional aide in the late sixties," says Norman Ornstein, a resident scholar at the American Enterprise Institute. "Across





THE VENUS FLYTRAP LEATHER SECTIONAL

the street from our office was a building—the Methodist Building—that was filled with antiwar activists. And I remember thinking, What are these people going to do when the war is over? They had learned a skill—political organizing—and they put it to use. There was an explosion of ‘public interest’ activist groups in the early seventies, and they had a significant impact not just on political reforms but also on environmental and consumer regulations. Then, in the late seventies, there was an explosion of industry groups and trade associations to counteract them.”

The various interest groups exerted a centrifugal pull on the Democrats and the Republicans, moving them to their respective extremes, where the most passionate advocates were festering. The trade associations formed political action committees, which brought enormous amounts of money into the system—especially after the Federal Election Campaign Act was amended, in 1979, to permit unlimited contributions to the national political parties (the source of “soft” money, as opposed to the “hard” money contributed to specific candidates). The money was used to pay for advertising on television, which expanded in frequency and ferocity as the eighties began. For many

Democrats, the “war” actually began in 1980, when the National Conservative Political Action Committee (NCPAC) ran a scurrilous television campaign against six liberal senators, four of whom were defeated—which returned control of the Senate to Republicans for the first time in twenty-six years. “You can’t underestimate the impact that the rise of vicious, false, distorted negative advertising had on the members of Congress,” says Warren Rudman, a Republican who left the Senate in disgust in 1992. “For example, I had a hard time getting to like Joe Lieberman when he came to the Senate, because the campaign he ran against Lowell Weicker, who was a good friend of mine, was disgraceful. Eventually, we became friendly, because Joe’s a terrific guy. But a lot of people don’t get over those things. It makes it a lot harder to work together—a lot harder to do anything. You’re always wondering whether this or that vote is going to be distorted in some crummy ad in the next campaign.”

If Democrats point to NCPAC and Newt Gingrich as the root causes of the incivility, Republicans point to the liberal activists’ campaign, in 1987, against the nomination of Robert Bork to the Supreme Court—and particularly

to the hyperbolic speech Ted Kennedy made on the floor of the Senate, less than an hour after the nomination had been announced, about the various terrible things, like “back-alley abortions,” that would happen in “Robert Bork’s America.”

“All of us sort of stunned our colleagues by going off the deep end at one point or another during one of these circuses,” Alan Simpson says. “Teddy did it with his Bork speech. Sam Nunn did it with his campaign against John Tower. I did it with Clarence Thomas, when I went ballistic over this ‘sexual harassment’ crap. I’ll tell you, you get so wrapped up in the moment, your mind sometimes comes unhinged.”

The anti-Bork campaign and hearings seem decorous compared with the crude personal assaults that came to characterize later witch-hunts. Bork was a distinguished academic but an ideological bomb thrower; an argument could plausibly be made that he was not merely a conservative but a radical reactionary, who sought to overturn many of the precedents set by the liberal Warren Court. The leaders of the anti-Bork coalition decided to have the argument made substantively, by constitutional scholars, rather than emotionally; activists like Ralph Nader and Molly Yard, of the National Organization for Women, were persuaded not to testify. “Nader came to me before the hearings began,” Joe Biden, then chairman of the Judiciary Committee, recalls, “and said the Bork hearings should be a constituency-building exercise. He wanted to do what all these groups do—send out mailings, raise money. I told him no, and I’m proud of the way those hearings were run.” (Nader says he told Biden that the hearings could be a “public-education medium.”)

But the battle over the Bork nomination proved to be an escalation in the ethics war for two reasons. It was the first time a coalition of ideologues had mounted an activist campaign—including grassroots organizing, opposition

research, and even a television commercial (featuring the voice of Gregory Peck)—to oppose a Presidential nominee. This became a fixture of the post-Bork prosecutorial scene, with activist groups using ethics targets—ranging from Clarence Thomas to Bill Clinton—as a means of raising “awareness” and, more important, money from their supporters. “One of the things Ralph Nader taught us was to demonize the opposition,” said Mike Pertschuk, a consumer advocate and Nader protégé, who wrote a book about the Bork campaign, and who now, like Vin Weber, has mixed feelings about the harsh tactics used. “And, you know,” he added, “it’s a very effective tactic—but there’s a terrible cost to that.”

Another notable feature of the Bork campaign was the invasion of the nominee’s privacy—particularly the attempt to investigate Bork’s video-store records by a reporter for the *Washington City Paper*, an alternative weekly. Only a few months earlier, reporters from the *Miami Herald* had waited in the bushes outside the town house of Gary Hart, the Democratic Presidential candidate, to catch him in an adulterous liaison.

The press, of course, has been a crucial, omnivorous, and obnoxious component of the machinery of scandal. Watergate made heroes of the *Washington Post* reporters Bob Woodward and Carl Bernstein, but it also caused a serious distortion in the culture of journalism: elected officials were now, routinely, presumed guilty. There was a gleeful quality to much of the reporting, and especially to the new, witlessly contentious television sound-bite shows: “Groups” and “Gangs” of journalists screaming at each other and making facile judgments about complicated issues. There was considerable peer pressure to stay cynical: reporters who wrote favorably about politicians were considered to be “in the tank.”

“Over the last two decades, political reporters have become more concerned with how other political reporters judge their work,” I was told by Bill Kovach, the curator of Harvard’s Nieman Foundation. “Not wanting to look soft leads to a negative spin: no matter what position is taken by a politician, the journalistic tendency is to examine it in a negative light—to emphasize

political calculations rather than the substance.”

Tom Patterson, a professor at Harvard’s Kennedy School of Government, has numbers to back up Kovach’s analysis: in the 1960 Presidential election, three-quarters of the references to the candidates which could be characterized as positive or negative were positive; in the last three Presidential elections, the proportion had shifted to sixty per cent negative. Furthermore, Patterson cited a study that calculated that stories emphasizing conflict among politicians had increased three hundred per cent from the early seventies to the late eighties. “The Watergate investigative model was very scrupulous,” Patterson said. “By the late seventies, that had changed—‘investigative’ reporting became getting on the phone and finding someone to attack someone else. The purpose wasn’t to find things out but to bring things down.”

It is difficult to overstate the ire that most politicians—even those who have had good relations with the press—now feel toward journalists. “The media love hate,” says Representative Barney Frank, Democrat of Massachusetts, a homosexual whose private life was the subject of a breathless exposé in 1989. “In Washington, excessive cynicism is the most prevalent form of naïveté. I just wish reporters were as skeptical about bad news as they are about good news.”

By 1989, the rigorous standards of Woodward and Bernstein’s Watergate reporting had been long forgotten, even in much of the elite press. The enduring impact of George Bush’s failed attempt to appoint the former Texas senator John Tower as his Defense Secretary was to take mainstream journalism to an ever more squalid level. The *Washington Post*, for example, published raw data from the F.B.I.’s investigation of Tower, including an unreliable account of two drinking-and-fondling incidents at an Air Force base—reported, as it happens, by Bob Woodward. The Tower case was bizarre and terrifying to many elected officials: no one could remember the last time a former senator had been denied a Presidential appointment by his colleagues

in the Senate. But Senator Sam Nunn, Democrat of Georgia and a respected defense expert, was a very credible leader of the opposition, arguing that even the possibility of heavy drinking would be intolerable in a Secretary of Defense. Jim Wright told me, “I liked Tower. We were friends, fellow-Texans, and I thought he’d been treated unfairly. But it was clear, after that, that the Republicans were going to demand retribution. On Texas Independence Day, March 2nd, that year, a Republican told me the caucus was energized to come after me now. I said, ‘What is this? An eye for an eye?’ And he said, ‘No, a Texan for a Texan.’”

Wright and Tower had several things in common: neither was well liked, and neither had committed anything resembling a crime. “I disagreed with Newt about going after Wright,” Vin Weber says. “In fact, Newt didn’t have very much support at all in the Republican conference. But, when Wright was forced to resign, that was Newt’s third big triumph—and the Republican conference looked at Newt and said, ‘He’s been right all along.’”

ON May 15, 1984, the day Newt Gingrich successfully confronted Tip O’Neill and received a standing ovation as he took his seat, one Republican did not join in the applause: Robert Michel, of Peoria, Illinois, the House Minority leader. Michel was, in many ways, Gingrich’s opposite. He had grown up poor, the son of an immigrant factory worker; he worked three paper routes during the Depression. After Pearl Harbor, he joined the infantry, rose to the rank of sergeant, and was seriously wounded in the Battle of the Bulge. When Michel was first elected to the House, in 1956, he had a mission that he believed was the essence of conservatism: he wanted to give his fellow-G.I.s and their families a period of peace and quiet. He wanted government kept under wraps; his goal was stability.

“I still think I had a more conservative record than Newt. The media called me a ‘moderate,’ because I talked with Democrats, but that was the way things were when I was coming up,” Michel



told me, speaking slowly, his voice deep and pleasant and unpretentiously mid-American. He was sitting behind his old congressional desk, which he had moved to his Washington, D.C., law office. "Those were happy days," Michel said. "My district represented Hiram Walker's distillery. A lot of members would come by the office for a snort, and we'd gas about this and that. When we had committee meetings, we'd sit at long tables, the majority and minority across from one another, and so we'd have to talk and work things out. Now they have these long daises, with the majority on one side and the minority way over on the other, and no one gets to know one another."

Newt Gingrich arrived in 1979, a professor and political activist who had only read about the wartime horrors that Bob Michel had seen. Gingrich was obsessed with books about military tactics and had become something of a reverse Clausewitz: he considered politics the extension of war by other means. Michel was appalled. He figured politics was the opposite of war. "I don't think you can underestimate the generational aspect of this situation," Vin Weber says. "Our generation came in, and we had absolutely no respect for any of the traditions—not the Speakership, not the Presidency, not bipartisanship. We thought the parliamentary language was stuffy and silly. We thought hypocrisy was the only sin. Bob Michel's generation—they wanted to make life less political for the returning veterans. We wanted to politicize everything. Remember the slogan 'The personal is political'? That was the feminists, right? That became us, too."

In the early nineteen-nineties, both the Gingrich Republicans and the feminists had their moments. The 1991 campaign against Clarence Thomas's nomination to the Supreme Court was far more personal and extreme than the campaign against Robert Bork had been. Members of the civil-rights establishment set the tone by calling Thomas a variety of despicable names because he disagreed with the prevailing wisdom about affirmative action. Then the feminists came to the fore with the appearance of Anita Hill, who accused Thomas of offensive ribaldry when he was her boss at the Equal Employment Opportunity Commission; she was



SHOWCASE For five years, Philip-Lorca diCorcia has been unobtrusively planting his "non-events." These images are striking psychological tableaux, charged with weariness,

questioned intensely and skeptically by Simpson and several other Republicans on the Judiciary Committee. A delegation of feminists visited Joseph Biden, just as Ralph Nader had done four years earlier. "They wanted the committee to expose the fact that Thomas watched pornographic films," Biden recalled. "But I told them that if he did, it wasn't material. It was private." (Of course, the media were happy to provide all the relevant details to a soap-opera-loving public.) The incredible ugliness that both Thomas and Hill were forced to suffer—the grotesque invasion of their personal lives—was becoming part of the price paid by public servants. Any future Presidential nominee could expect to have his or her closet emptied—as Zoe Baird and Kimba Wood soon would for alleged improprieties associated with the employment of immigrant babysitters. A businessman who had declined Bill Clinton's offer to join the Cabinet told me, "And go through *that*? What did I need that for?"

Meanwhile, Gingrich's demolition work in the House proceeded apace. The end of the Cold War meant that political anarchy could flourish in placid times. In the early nineties, hundreds of members were tainted by their misuse of the House bank and post office (the latter operation resulted in a jail term for Dan Rostenkowski, the chairman of the House Ways and Means

Committee); even the prices charged by the barbershop were called into question. At the same time, Gingrich expanded his operation and took on his President, George Bush: in 1990, when Bush broke his "No new taxes" pledge by cutting a budget deal with the Democrats, Gingrich challenged the result and forced a renegotiation—the first sign that the weakened President might not be invincible in the 1992 elections.

Bob Michel, who had supported the Bush budget deal, knew that he was going to be Gingrich's next target. "I could see what was happening behind my back," Michel told me. "Newt was coming along. He was going to challenge me for the leadership in 1994. It would have been a bitter challenge." He paused a moment. "I might have lost. I decided that I'd had enough." He brightened and added, "I'm so *happy* I'm out."

THE Clinton era has been marked by dense, endless, and almost always peripheral scandals, pursued by a battalion of prosecutors who have spent years and millions of dollars to very little effect. Whitewater—the failed Arkansas land deal that initiated the prying into the President's past and private lives—has always seemed a remarkable waste of time and money, a trivial investigation, based on the testimony of unreliable witnesses, of activities that had nothing to do with Bill Clinton's performance in

federal office. The subsequent investigations by Kenneth Starr's prosecutorial team—the Travel Office firings, the F.B.I. files mistakenly ordered by Security Office incompetents, and, of course, the Lewinsky perjury entrapment—uncovered poor judgment (and, in the Lewinsky case, spectacularly *louche* behavior) on the President's part, but seem more a sort of political harassment than the pursuit of serious legal or ethical lapses. Webster Hubbell, the former Associate Attorney General who went to prison for crimes unrelated to Clinton, was indicted yet again by Starr, on perjury and other charges, last week. (An earlier indictment, for tax evasion, had been thrown out by a federal judge.) The other Independent Counsels assigned to Clinton Cabinet officers have managed to isolate such threats to the republic as petty gift-taking (former Agriculture Secretary Mike Espy), understating the amounts paid to an ex-mistress (former Housing Secretary Henry Cisneros), and choosing a politically friendly Indian tribe's position over that of a less friendly tribe in a casino dispute (Interior Secretary Bruce Babbitt).

To the great glee of many Democrats, there also was a Gingrich scandal. It was another in the series of incomprehensible technical violations of ethics rules. In 1997, Gingrich agreed to pay a three-hundred-thousand-dollar fine for using a tax-exempt fund for political purposes. There was an Al Gore *scandalette*, too. It

was an even more trivial brush with the fund-raising regulations, in which a rarely used hundred-year-old statute—pertaining to shakedowns of government employees on government property—was mobilized after Gore was found to be making fund-raising calls from his White House office. No doubt there will be George W. Bush scandals in the months to come: the Governor of Texas, who is the front-runner for the Republican nomination in the year 2000, has admitted to a misspent youth that lasted well into adulthood. If Bush, or any other Republican, is elected President in 2000, he can expect the same sort of treatment from the ethics police—and from the Demo-



crats in Congress—that Bill Clinton has received from the Republicans.

"I don't know where the bottom is," said Harvard's Tom Patterson, speaking of the press, but his concern easily could extend to the other parties to the scandal-making process—the politicians and the prosecutors. "I don't think this sort of negativity can be sustained in the long run."

There is talk of new reforms. The Independent Counsel Act will probably be abandoned—or, at the very least, severely modified—when it comes up for renewal in 1999. The system of political finance may be modified again. There will be a more vigorous effort to ban "soft" money in the next Congress, especially after the noble victory of Wisconsin's Senator Russell Feingold, who nearly lost his seat on a point of principle: he insisted that his campaign be run according to the finance laws he wants to see enacted. But the impact of any new reforms is likely to be minimal. As long as there is a First Amendment, people with money will find a way to get their messages across.

And the media are likely to remain negative and increasingly unaccountable. Internet gossip will continue to wend its way into the mainstream; the pressures of deadline and market share—and the promise of television appearances and lecture fees—will cause reporters to bend the rules to retail sensational tidbits. "I think there's an answer to that," says Alan Simpson, smiling wickedly. "Some politician is going to turn to a reporter who asks an ugly, invasive, disgusting personal question and say, 'I'll answer that if you will. Tell me what you did. Did you ever use cocaine? You're a public figure. You're on TV all the time. The public has a right to know. What gives you the moral authority to ask that question? Who gave you your Jesus shoes?'"

It is possible that Newt Gingrich's departure from public life will be a turning point—the moment when comity began to be restored. But I sus-



"Might I recommend the orange Crayola for the smaller flowers and the blue-green for the foliage?"

pect not. In the weeks before the election, many of the old-timers I interviewed about the deteriorating political atmosphere seemed to yearn for such an epiphany. More than a few of them cited Joseph Welch, the Boston lawyer who, in 1954, finally punctured Senator Joseph McCarthy's balloon with a simple question: "Have you no sense of decency, Sir, at long last?"

McCarthy was already heading for trouble, having overreached by taking on the apparition of Communism in the United States Army. His moment onstage was ending, and Welch provided the appropriate exit line. The current moment is far more complicated. When the Welch scenario came up in interviews, I'd usually ask, Who would have the moral authority to do something like that now? Whom would he address his remarks to? Depending on your point of view, a latter-day Welch might credibly speak those very words—to Ken Starr, Bill Clinton, Newt Gingrich, or to any of the special-interest extremists of the left and right, or to any member of the press. Or all of the above.

And although it might be argued that the American people—in a sweet, Frank Capra sort of way—finally chose to play the Joseph Welch role them-

selves in this past election, one wonders how effective the defenestration of Newt Gingrich will be. Gingrich wasn't the sole dispenser of the poison that has consumed public life; he simply exploited the noxious atmosphere more persistently than anyone else. He was a creature of the phenomenon, not the phenomenon itself. The fundamentals of contentiousness remain in place. The special-interest groups will be more than ready to exploit the next public drama that comes along. There are journalists ready to write the stories, politicians who'll be anxious to make the headlines, political consultants who'll be more than happy to make the ads, and an ethics industry on alert for the next chance to prosecute.

Washington's partisans continue to see each new prosecution as separate and unique—as justified or improper, according to political taste—rather than as part of a disorder that has done significant damage to the public's faith in politics. The myopia is often stupefying. A few years ago, I had dinner with Newt Gingrich. He was in the midst of his own ethics travails, and was clearly in some pain. I asked him if he had more sympathy now for Jim Wright. Gingrich bristled. "Absolutely not!" Then he said, "There's no comparison. What Wright did was criminal." ♦