No comments

WHITE HOUSE INTERGOVERNMENTAL AFFAIRS
ROUTING SHEET

STATUS OF PUERTO RICO — NEED TO RELEASE POTUS STATEMENT 11/15 - ANY COMMENTS?

FROM: Marcia L. Hale

DATE: 10/20/93

SUBJECT: Puerto Rico

TO:

✓ *Mack McLarty*
✓ *Roy Neel*
✓ *Leon Panetta*
✓ *Joan Baggett*
✓ *Rahm Emanuel*
✓ *Mark Gearan*
✓ *David Gergen*
___ *John Gibbons*
✓ *Alexis Herman*
✓ *Tony Lake*
✓ *Bruce Lindsey*
✓ *Bernie Nussbaum*

✓ *Howard Paster*
✓ *John Podesta*
✓ *Jack Quinn*
✓ *Carol Rasco*
✓ *Bob Rubin*
___ *Eli Segal*
___ *Ricki Seidman*
✓ *George Stephanopoulos*
___ *Laura Tyson*
✓ *Christine Varney*
___ *David Watkins*
✓ *Maggie Williams*
✓ Chris Edley

COMMENTS:

On November 14, 1993, Puerto Rico is holding a non-binding plebiscite to determine if the people of Puerto Rico want statehood, commonwealth or independence.

Latest polls indicate that the vote is a dead heat between statehood and commonwealth.

If statehood wins Governor Rossello and his party will petition Congress for statehood. They will ask Congress to sponsor a binding referendum.

Regardless of the outcome of the plebiscite some type of activity will begin in Congress -- hearings may begin shortly after the vote.

We will need to release a statement on November 15, from the President, on the outcome of the vote. Attached is the President's most recent statement on the subject, which is consistent with campaign statements. He will support the outcome of the plebiscite. "I want the people of Puerto Rico to chart their own destiny."

Remember, that should statehood pass and a Puerto Rican referendum begins to move through Congress that similar activities will be renewed on behalf of DC statehood, which the President supports.

Please let me know if you have any additional thoughts on this matter. I will begin working with Mark and Dee Dee on the statement to be released after the vote.

Thanks.

Q Mr. President, Puerto Rico is still a colony of the United States. A referendum on its future is up and coming on the island. If it opts for statehood, would you push for it?

THE PRESIDENT: Absolutely. Our relationship with Puerto Rico is an important one. We have a lot of Puerto Ricans living not only o the island but also in this country. And my feeling has always been that if they wanted to become a state, with not only the benefits but the responsibilities that statehood would entail -- even financially they would get some things and they would lose some things if they became a state -- that we should support that.

And my commitment from the beginning has been quite consistent - that I wanted the people of Puerto Rico to chart their own destiny. If they wanted to stay a commonwealth, I would do my best to make this present situation work better for them. For example, I have done my best to try to help them with their health care problems and to cover Puerto Rico in the health care plan. If they want to become a state, then I think that we should support that. And I will strongly support statehood if that's the desire of the voters in Puerto Rico. But the citizens there should make the decision. I shouldn't make it for them.

Q Mr. President, on behalf of Telemundo News and (spoken in Spanish) -- Telemundo, muchas gracias.

END6:13 P.M. EDT

yeltsin a mess.
Let's give large
loans to CIS.

~~April~~

To Hillary Rodham Clinton

Katharine D. Knowles
POB 161
Old Lyme, CT.
06371

March 31, 1993

Dear First Lady -

Please, please read the enclosed article before the President sees Mr. Yeltsin.

As you no doubt realize, Yeltsin, - through a shock therapy rush to capitalism, has put his country into a tragic mess.

The Russian Parliament of 1000 deputies has more socialists than "hard line" communists, most of them far wiser than Yeltsin.

A coalition government is more apt to be ameliorative than a risky dictatorship under Yeltsin; who is charismatic, but not very wise.

A peaceful resolution in the huge Commonwealth of Independent States (CIS) is very essential to the peace of the USA and of the entire world.

over →

It is essential that we, the USA, must be generous by sending, not just to Yeltsin, but to the CIS, large loans of money immediately, (long promised, but not yet sent), and urgently needed medecines, as well as high-tech equipment and computers.

Very sincerely,
Katharine D. Knowles

ARTICLES.

ILLUSIONS AND REALITIES

American Policy & Russia's Future

STEPHEN F. COHEN

Events in recent years have brought us to a fateful moment in the history of American-Russian relations—one full of great hope but also many illusions and great peril. The hope comes from the rethinking and reform now under way in both countries, which hold out the possibility of a fundamentally new, demilitarized and truly cooperative relationship between these longtime superpower rivals. The danger lurks in a potential collision between post-Communist Russia's complex realities and post-cold war America's simplistic expectations about its former adversary—a collision that might lead if not to a new cold war then to an uneasy peace. That danger is now escalated by the Clinton Administration's unwise interventions in Russian domestic politics and support for President Boris Yeltsin's declaration of a "special regime" that threatens to terminate Russia's historic and exceedingly fragile democratization experiment.

Whatever direction the relationship takes, Russia will be the United States' largest foreign policy concern for many years to come. On the one hand, Russia's future development—because of the country's history, size, location, economic potential, weapons and unprecedented capacity for nuclear mishap—will profoundly affect prospects for stability and international security in large parts of the world. On the other hand, an end to Russia's collapse—its political, economic, social and even psychological crisis—is nowhere in sight.

And yet, the United States lacks any well-conceived and workable policies toward Russia, and has had none since the breakup of the Soviet Union in 1991. Organizational energy and even financial commitment in Washington cannot themselves produce such policies, as the Clinton Administration appears to believe. The underlying American problem is conceptual and ideological. Unless we change our mythical and missionary ways of thinking about post-Communist Russia, the problems and dangers we face will only grow worse.

The collapse of the Communist Party and breakup of the Soviet Union generated both alarm and euphoria in U.S. policy circles—alarm over the disposition of Soviet "loose nukes," euphoria over the pro-American possibilities thought to be inherent in post-Communist Russia. The alarm was well founded, but the euphoria derived from several largely false assumptions, among them:

Stephen F. Cohen is professor of politics and director of Russian studies at Princeton University. His books include Bukharin and the Bolshevik Revolution *and* Rethinking the Soviet Experience *(both Oxford University).*

§ that the events of 1991 constituted a "new Russian Revolution" that had swept away the Soviet system, and with it most of the obstacles to fundamental reform;

§ that fundamental reform in Russia now meant the creation of Western-style democracy and free-market capitalism, possibly even a replica of the American system;

§ that while problems persisted, Russia could quickly—as in the catch phrase "get through the winter"—exit its Communist past onto a democratic-capitalist road if there were uncompromising political leadership (President Boris Yeltsin and his team headed by former Acting Prime Minister Yegor Gaidar), radical economic policies ("shock therapy") and sufficient Western support;

§ that America should therefore intervene energetically by undertaking a missionary crusade (a "new Marshall Plan") to shape and hasten this Russian transformation and to defend the Yeltsin-Gaidar leadership against its "reactionary, conservative, hard-line Communist" opponents;

§ that such policies, in Washington and Moscow, would form the basis for a new U.S.-Russian relationship by turning post-Communist Russia into a like-minded "friend and partner" in international and security affairs;

§ that large and stable constituencies for these policies existed both in Russia and the United States.

Democratization has progressed very little, if at all.

Largely because of these assumptions, the Bush Administration pursued a twofold policy toward Russia, which remains in place today. The Administration negotiated, and offered to subsidize, a major reduction of Soviet-built strategic nuclear weapons, including those in Ukraine, Belarus and Kazakhstan. And it urged a fast Russian transition to democracy and capitalism, for which it promised to mobilize substantial financial support. American policy did make some progress toward the "new era of friendship and partnership," proclaimed by George Bush and Boris Yeltsin at their summit meeting last June. But most of these professed achievements were, and remain, rhetorical.

The failures even before the present Russian crisis are more important. The ballyhooed START II agreements signed by Bush and Yeltsin in January have not actually reduced the nuclear threat emanating from the former Soviet Union, which remains considerably greater than it was under the Soviet regime. The large reduction of strategic weapons called for by START II over a ten-year period requires three major conditions: the increasingly recalcitrant Ukraine must ratify previous arms agreements and dismantle or transfer all its nuclear weapons to Russia; the rambunctious, largely anti-Yeltsin Russian Parliament must ratify the treaty; and political stability, including a pro-START government, must prevail in Russia and possibly Ukraine for at least a decade. There is a good chance some or all of those conditions will not be met. In addition, no U.S.-Russian agreements yet cope with the other equally or more serious nuclear threats posed by tactical weapons on former Soviet territory, ill-designed and badly maintained reactors and the proliferation of strategic technology.

As for Russia's "transition to democracy and capitalism," democratization has progressed very little, if at all, since 1991; there has even been sporadic regression to authoritarianism, and now Yeltsin may reintroduce a great deal more. In economic life, marketization has moved forward, fitfully and painfully, but hardly toward the free-market capitalism envisaged by U.S. policy-makers. The Russian state's role in the economy remains overwhelming, and the leap-to-capitalism shock therapy inflicted on society by the Yeltsin-Gaidar leadership, at the urging of the U.S. government, American academic advisers and the International Monetary Fund, has mostly deepened the country's economic crisis, devastated the middle class and impoverished perhaps a majority of Russian families.

In foreign policy, meanwhile, the Yeltsin government has paid periodic lip service to its American "friend and partner" but naturally pursued Russia's own national interests in various "un-American" ways—in its dealings with China, Japan, India, Iran, Serbia and several of the former Soviet republics, and even in its strategic weapons policy. Despite Yeltsin's promise of more than a year ago, Russia's intercontinental missiles are still targeted at the United States, as revealed by Marshal Yevgeny Shaposhnikov last September.

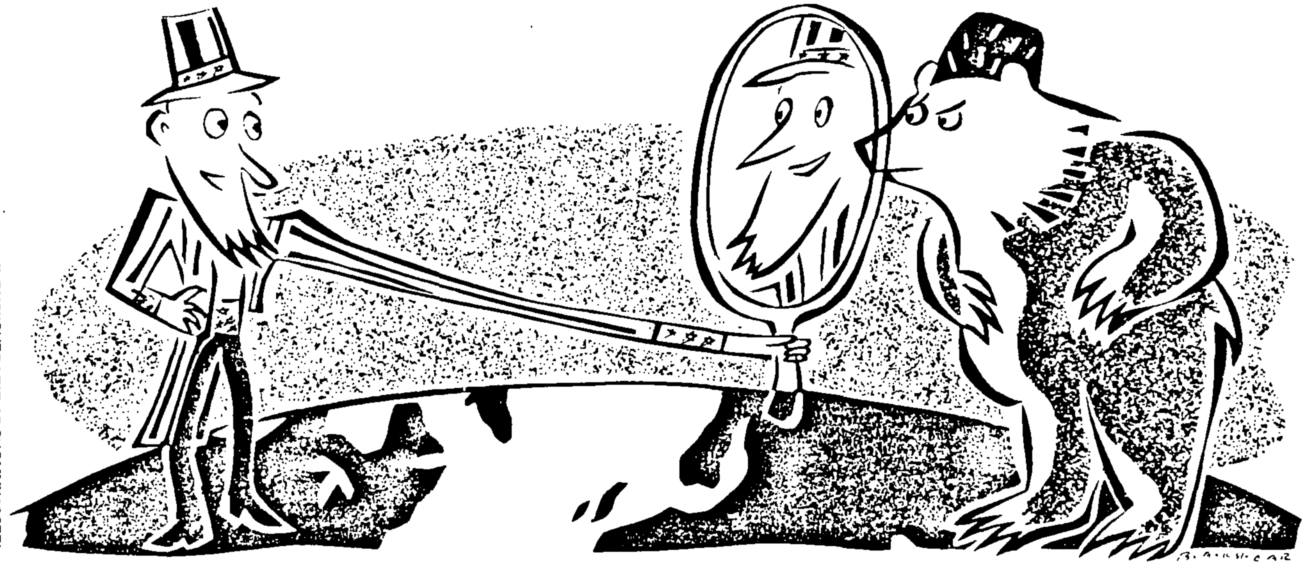
Still worse, missionary and intrusive aspects of U.S. policy since 1991 have contributed significantly to a growing Russian political backlash against American interference in the country's internal and foreign affairs. The problem is not primarily the congenital xenophobia of extreme nationalist movements that see the Yeltsin government as a U.S.-sponsored "occupation regime" but a more general reaction against "Yankee-ization" that has spread across the Russian political spectrum to many democrats as well—a perception that can only be enhanced by the Clinton Administration's excessive support for Yeltsin's "special regime."

Russian officials frequently complain that U.S. representatives speak to them as though they were "prodigal children on their knees," while issuing dogmatic advice little informed about actual Russian circumstances. America may believe it won the cold war, and Russia may now be governed by repentant ex-Communists, but those leaders are also the prideful inheritors of a great civilization and a twentieth-century superpower. Neither they nor their successors can or will lead Russia as America's servitors or supplicants. That tone is set in Washington, where Administration officials speak of "building the new Russia" and a former National Security Adviser, Zbigniew Brzezinski, proclaims, "The economic and even the political destiny of what was not long ago a threatening superpower is now increasingly passing into de facto Western receivership."

Another example of counterproductive U.S. behavior has exacerbated the first one. Russian politicians and editorialists tolerated U.S. missionary rhetoric in the beginning because it included Bush Administration promises of substantial aid and private investment. Neither has arrived, and neither is in sight, despite President Clinton's recent statements. The result is another kind of political backlash: a growing conviction, even among pro-American Russians, that the United States will not put its money where its mouth has been ever since the Gorbachev years; and worse, that the United States is interested only in exploiting Russia's natural resources, not in helping to rebuild its economy.

Even more objectionable have been the many unwise U.S. intrusions, since 1991, into the caldron of Russian politics. From the beginning, the U.S. government has focused almost all its relations and good will exclusively on President Yeltsin and his handpicked team, while virtually ostracizing other official institutions and leaders, particularly the Russian Parliament and its Chairman, Ruslan Khasbulatov—not to mention the country's popularly elected Vice President, Aleksandr Rutskoi, who has strong elite and popular backing and is certain to play a major role in the future, as indeed he is in the present crisis.

The Clinton Administration has steadily escalated this kind of interventionism—by contriving the April Vancouver sum-



ILLUSTRATIONS BY LISA BLACKSHEAR

mit as an attempt to "help Yeltsin" in his ongoing conflict with the Parliament, by supporting the Russian President's threats to disband the legislature, by endorsing Yeltsin's effort to seize dictatorial or "special powers" from virtually all of Russia's other fragile democratic institutions and even by suggesting that Clinton might go instead to Moscow for a solidarity summit with Yeltsin. The result has been to put the U.S. government in very bad institutional company. Opposed to Yeltsin's power-grab was not only Russia's Parliament but also its Constitutional Court, Attorney General, Justice Minister and Vice President, most of its elected local legislatures and large segments of its democratic press. Supporting or leaning toward Yeltsin were the heads of the Russian military, the former K.G.B. and the militia—and the Clinton Administration.

To be fair, President Clinton, and President Yeltsin, have been egged on in this direction by many U.S. Congressional leaders and a plethora of American editorial writers and columnists. Aware that they are endorsing antidemocratic measures by Yeltsin, they argue almost unanimously that his professed democratic goals justify the means. Surely twentieth-century history, and especially Russia's history, teaches the folly of that premise. Even if Yeltsin's gambit succeeds, it risks destroying what little rule-of-law government Russia now has and putting the country's political fate in the hands of the military and other security forces.

American officials may accept Yeltsin's assertion that the Russian Parliament is insufficiently reformist, but they have no right to act on such judgments. Let it be remembered, for example, that this "reactionary" Parliament, as it is now dubbed in both U.S. media and government accounts, was greatly admired for its heroic resistance, in its tank-encircled Moscow "White House," to the putsch of August 1991. Moreover, there can be no democracy in Russia, whose history is full of overweening executive power and abolished legislatures, without a parliament. (The last elected Russian legislature was forcibly disbanded by the Bolsheviks in January 1918.) Nor can there be any ratified arms treaties without one. Indeed, perceived U.S. contempt for the Parliament and its leadership had already made ratification of START II more difficult. On March 21, not surprisingly, the legislature passed a special resolution condemning the West's "crude interference in the internal affairs of Russia."

American behavior has been even more meddlesome at other political levels. American economists, notably the team headed by Harvard professor Jeffrey Sachs, backed by U.S.-supported financial institutions, sit in the Kremlin and elsewhere as official advisers. American political organizations, some with federal funding, reward favored political movements and parliamentary factions. The A.F.L.-C.I.O. is deeply involved in Russian trade union politics. Some Russian legislation and school curriculums are being drafted by American hands. Proposals are even being made to put U.S. civil servants in Russia's governing bureaucracies and NATO advisers in its military forces, and to make dollars a second Russian currency. Any Americans who cannot understand the resentment generated by these intrusions into Russia's internal affairs need only imagine their own reaction if foreigners were playing such roles in our government and political life.

The anti-American backlash is also gathering force among the general population, despite a large reservoir of pro-American sentiment. The Yeltsin-Gaidar free-market shock therapy has inflicted enormous social pain. To millions of Russian citizens the loss of their life savings, their growing misery, their inability to care properly for young and old family members, and their anger over rampant "corruptalism"—all seem to be "made in the U.S.A." That is not true. But given U.S. rhetoric and effusive support for the Yeltsin-Gaidar measures, given the hordes of American "advisers" swarming over Russia, given the absence of effective U.S. relief but abundance of American trash movies dumped on the Russian market—why would they think otherwise?

No real revolution occurred in Russia in 1991.

And so there are no stable constituencies in either country for the policies initiated by the Bush Administration and continued by President Clinton. The issue of policy toward Russia was virtually absent during the presidential campaign; none of the candidates seemed willing or able to explain to skeptical voters the importance of large-scale aid, which President Clinton has begun to try, but which now faces an American-style backlash among media pundits, who do so much to shape policy. As Russian realities collide increasingly with American missionary expectations, some influential commentators, among them Evans and Novak, are already disillusioned by the United States' new friend and partner, warning of "a return to the Cold War, but without nuclear weapons." (Why "without nuclear weapons"?)

Clearly, the United States urgently needs a serious reexamination of its post-cold war thinking and policies, one based on a clear understanding of what is really happening in post-Communist Russia.

Contrary to the euphoria in Washington, despite the collapse of the ruling Communist Party no real revolution occurred in Russia in 1991. Crucial aspects of the Soviet system still exist today, particularly those responsible for people's essential needs—housing, employment, basic supplies, health care, welfare and public order. Nor were mass anti-Communist activities in 1991, during and after the failed August coup, really a national referendum in favor of democratic capitalism as we understand it, and still less in favor of "free-market" shock therapy. Until a new system evolves more fully, continuing to impose such policies is impractical and inhumane, if not catastrophic, and further undermines popular support for democratization, which according to opinion polls has already declined substantially. (President Yeltsin's own popularity ratings, for example, plummeted from about 80 percent in late 1991 to less than 30 percent this year.) That is why more and more Russian leaders across the political spectrum now favor a stabilization of the old system rather than a forced march to a new one. Here too there is no longer any euphoria—at least in Moscow.

Moreover, since 1991 U.S. policy-makers have assumed that Russia's struggles over democracy and markets are the primary ones. They are surely important, but secondary to four other major issues. First, inflaming all the others, is an acrimonious dispute over the nature, or national identity, of post-Communist Russia. Should Russia be part of the West or apart from the West? Should Russia be rebuilt according to a foreign model? If so, which? Or should Russia rebuild in accord with its own traditions, and if so, which ones? Should Russia be greater territorially ("imperial") or remain within its present shrunken borders? Should the nation's vastness be governed chiefly by a dominant Moscow, in accordance with longstanding tradition, or locally? No consensus, to say the least, exists on any of these fundamental questions.

Another struggle is raging over all the far-flung properties formerly monopolized by the Soviet state: natural resources, banks, factories, communications facilities, buildings, transport, even military equipment. Though this fight is often waged under the banner of reformist "privatization," much of it is corrupt even by Soviet standards. A third dispute pits central authorities in Moscow against authorities in the provinces (where much real economic and political power has migrated in recent years), particularly in the Russian Federation's thirty-one "autonomous" territories, many of which now claim sovereignty. This collision is exacerbated by the presence of non-Russian majorities in several of those autonomies. Finally, in Moscow there is the angry battle for policy-making power, unconstrained by any clear constitutional provisions, between the President and the Parliament, and various parties allied with them. All these conflicts have dwarfed and distorted the issues of democracy and markets, and none of them are likely to be settled any time soon.

For these reasons, it is exceedingly difficult to identify all the "good" and "bad" actors in Russian political life today, especially if the marginal role of easily recognized extremists is discounted. Certainly, the Russian political spectrum is far more diverse and complicated today than is suggested by the popular Manichean prognosis: "Either the democrats or the red-brown reactionaries," a Moscow slogan adopted by many American analysts and political leaders. What are we to make of a political arena where, for example, leaders we call "democrats" advocate disbanding Parliament and imposing presidential rule throughout the country, where those we call "conservatives" and "reactionaries" defend the idea and institution of Parliament, and where forces we disdain as "centrist" hold the balance of power and may well win any near-term elections? What do we make of a situation where we see constant menace in "ex-Communists," but where almost all leaders on all sides, including President Yeltsin, are former party members? And where democrats themselves are deeply divided over virtually every issue? If even well-informed, well-intentioned Russians cannot decide which leaders and policies to favor from month to month, or during the current crisis, how can we?

None of this means that Russia is incapable of democracy or market economies. It does mean that the country's transition to a stable system with those features will inevitably take many years, probably decades, and include discouraging episodes. We may witness, for example, important political roles being played by a renewed Communist Party that already is the country's largest, with some 500,000 members, and by traditional nationalism, pro-Union popular sentiment, regional power centers and junior military officers garrisoned in the increasingly important provinces.

Marketization and the growth of private enterprise will almost certainly continue, however fitfully, if only because most Russian political factions, from left to right, now understand that the country cannot thrive without them. On the other hand, even that process is unlikely to conform to simplistic American expectations. Russia will probably "walk on two legs," moving toward what is being called a "mixed economic system," with a substantial state and private sector but with the state still dominant in large-scale industry, agriculture, transportation and finance, while private enterprise flourishes mainly in services, trade and small-scale production. Even so, many important economic questions will remain the subject of political dispute. What should be the relative proportions of state and private property? Which state-controlled industries and farms inherited from the Soviet past are essential and thus must be subsidized, and which can be abandoned to a market fate? Should private enterprise be actively encouraged or merely tolerated? And what should be the nature of the new market system: "liberal and free" or "social and regulated"? None of these problems can be solved by American conceits or shock therapy, only by Russian consensus-building and gradual change.

As for political life, democratization has achieved a great deal since Mikhail Gorbachev began the process in the late 1980s, but despite many modernizing changes in Russian society in recent decades, centuries of authoritarianism cannot be overcome quickly, or in a leap, even with favorable conditions. And Russia's conditions today are not favorable; indeed, even many once-fervent democratizers now advocate suspending the process until stabilization and more marketization can be achieved. Various kinds of government are always possible that are neither fully democratic nor fully dictatorial, and Russia is likely to experience several of them in the years ahead.

But whatever the shape of Russia's political and economic future, it will not be a replica of America's present or the Soviet past. It will be, as is said increasingly in Moscow, some "third way." American cheerleaders for Yeltsin and shock therapy adamantly deny that there can be any kind of third way, and accuse its proponents of being "enemies of reform." But here is what the Russian President himself told the nation in October 1992: "We are not leading Russia to any kind of capitalism. Russia is simply not suited for this. Russia is a unique country. It will not be socialist or capitalist."

Most American politicians and opinion makers say they favor helping Russia, and of course we must. The main reason is that if Russia, with all its unprecedented potential for nuclear and ethnic holocaust, lurches into chaos or despotism, no international security will be possible. Thus, allocating $3 billion to $6 billion annually for aid to Russia for several years (barely 1 to 2 percent of current U.S. defense spending) would be the cheapest investment America could make in real national security. There is less understanding and consensus about what helping Russia actually means, or how to do it. Unless this effort is guided by new and wiser principles, it too will fail.

Any successful policies to help Russia and shape a good U.S.-Russian relationship that will endure need stable constituencies, which do not yet exist in either country. In formulating its policies, the U.S. government must therefore explain them to the American people in realistic terms, emphasizing not only their importance for our national interests but also that Russia's transition to viable markets and democracy will be a long journey and include developments that do not conform to prevailing expectations.

Nor should U.S. policies toward Russia ever be missionary or intrusive in words or deeds. We lack the right, wisdom and power to convert Russia to America's way of life. Russia will borrow from the West, but it can find its future only within its own historical experiences and actual circumstances. In particular, the United States should not try to design Russia's overall reform strategy. Russia itself must decide how, and how fast, to move toward economic stability and markets. Excessive intervention by U.S. agencies will always be counterproductive, inspiring more resentment against America, undermining domestic and foreign policies we favor and further strengthening enemies of those policies. At the highest political levels, the U.S. government must develop normal relations with all official Russian institutions, especially the Parliament, and be respectful toward a broad range of Russian political opinion. Otherwise, it will have few Russian political friends, partners or even acquaintances under the post-Yeltsin leadership.

We also need realistic thinking, not illusions, about U.S.-Russian relations in the larger context of world affairs. Predicating the relationship on a fairy tale "friendship and partnership," as though post-Communist Russia's foreign policy will simply follow that of the United States, is certain to breed disillusionment and thus erode public support for aid to Russia. Russia's foreign (and defense) policies will be based on its own perceived national interests and on positions that can be sustained politically in Moscow, not Washington. We may reasonably hope those interests will coincide with our own more often than not, but they will not always do so. Having lost billions of dollars by repudiating former Soviet allies and respecting U.N. sanctions, Russia will repair relations with some anti-American governments, as we have already seen in its sale of weapons and technology. Having a very different geopolitical relationship with China than ours, a close cultural one with Serbia and a divorced family's relations with other former Soviet republics, Russia is certain to adopt policies unlike the United States' toward most of those countries—and toward Europe as well. None of this is reason for a new cold war or for refusing to help Russia's reforms, only for realistic U.S. expectations that include respect for Russia's legitimate interests.

Russia isn't ours to win or lose, but we have much at stake.

At the same time, the United States must take great care not to undermine those aspects of Russian foreign policy that are pro-American but highly vulnerable to Moscow politics. Here, too, missionary rhetoric and behavior are counterproductive, as is the appearance of triumphalist demands and double standards. Charges are already widespread in Moscow that the United States is compelling Russia to reduce its military forces maximally while cutting its own minimally; is objecting to Russia's arms sales abroad while increasing its own sales; is demanding that Russia no longer meddle in the Third World while it continues to do so; is expecting Russian adherence to U.N. resolutions while it interprets them as it sees fit. We may reply that Russia has lost its superpower entitlements. But if we want a truly new relationship, there is a grave risk in asking Russia to do so much more than we are prepared to do. Indeed, even America's "best hope," as the Clinton Administration characterizes President Yeltsin, has objected to "a U.S. tendency to dictate its terms," adding, "no other state can command such a great nation as Russia."

In that context, another issue is especially explosive. The United States assumes that all the former Soviet republics will remain fully independent states, and that Russia will treat them accordingly. But proposals continue to arise in Russia and several other former republics for a new federal or confederal state (unlike the present Commonwealth), which would naturally revolve around Russia. The factors fueling these proposals include common economic and security problems; the uncertain fate of 75 million former Soviet citizens now living outside their ethnic homelands, including 25 million Russians; millions of ethnic intermarriages; myriad disputes over sovereignty, borders and property; and spreading civil violence.

U.S. policy-makers have given this problem little serious thought, though even some Russian democrats have been calling for a Russian "sphere of influence," a "Monroe Doctrine," throughout the former Soviet Union, a demand now echoed in President Yeltsin's own assertion that Russia should have "special powers as guarantor of peace and stability in regions of the former U.S.S.R." One school of U.S. policy thinking, represented by Henry Kissinger, insists that any political regrouping around Russia must be opposed as resurgent Russian imperialism. But what if the decision is voluntary? A strong case can be made that a new federation or confederation of those former republics wishing to join may be the only way to stave off the various catastrophes now threatening them. But if nothing else, the United States, for the sake of recovery in the region, ought to favor the restoration of the Union's broken economic ties and do nothing to encourage political disintegration within the Russian Federation itself. It must also do everything possible to defuse the explosive issue of those 25 million Russians now stranded "abroad," which means, at a minimum, unequivocally advocating human and civil rights in all the non-Russian former republics, particularly in Estonia, Latvia and Ukraine, despite political temptations to do otherwise.

Russia is not ours to win or lose, but because we have so much at stake, various approaches and programs are necessary to help Russia (and ourselves). All of them are consistent with the realities and strictures set out above. The United States cannot do everything alone, but if the Clinton Administration aspires to world leadership, it must provide it.

After quickly extricating itself from its deep involvement in Russia's internal politics, the Administration should immediately open discussions with all Russian executive and legislative parties involved in ratification of START II, including with critics of the treaty. Any real inequities in that hastily drafted document, or in the cost of carrying them out, should be rectified. No politically unpopular treaty will be reliable. Meanwhile, prior to ratification, the United States should begin its own implementation of START II, while pushing efforts to negotiate effective barriers to nuclear proliferation and accepting the Russian offer of a permanent ban on nuclear testing—in effect, an end to the building of nuclear weapons. If getting rid of those weapons is such a big problem, why create new ones? The temptation to use battlefield (tactical) nuclear weapons is even greater, especially in quasi-religious civil wars already under way in the former Soviet Union. The Administration should reconfirm the exact whereabouts and control of all ex-Soviet tactical nuclear weapons, and negotiate major reductions in those Russian and American arsenals. Furthermore, many Soviet-built nuclear reactors are as dangerous as the one that exploded at Chernobyl in 1986, and terrorist threats inside Russia have already been made against them. Programs to modernize and safeguard those reactors, already established with Russian support but so far of little consequence, must be hastened and properly funded.

Russia's traumatic transition to a market economic system calls out for a great American humanitarian campaign, not for one winter but for several to come. Massive relief, especially essential nutrients and medicines, has to be provided free to those Russians most imperiled by marketization and least able to cope with it—the very young, old and sick. Much that is desperately needed—infant formula, aspirin, vaccines, disposable syringes, etc.—is produced cheaply and abundantly by U.S. corporations, whose self-advertised humanitarian claims can now be tested. A special national committee should be formed to encourage and coordinate joint action by the government and private sector in this area; it should be composed of knowledgeable people and co-chaired by a high-level Clinton appointee and two symbolically bipartisan elder statesmen—for example, Richard Nixon and George McGovern.

Russia's crushing $84 billion foreign debt must be restructured—quickly, fully, generously and on a long-term basis. Interest owed to Western governments and international banks, which Russia simply cannot pay, has become a towering obstacle to new state and foreign investment in the Russian economy, which is essential for stability and reform. Serious thought must be given to forgiving interest payments altogether, and perhaps even that large portion of the principal inherited from the Soviet Union.

Fears of loans going down a 'black hole' are exaggerated.

Western specialists understand that Russia must have large new loans and credits for economic investment and imports, and to ease the social pain of reform. Less understood is the growing political reluctance in Russia to taking on new debt. It stems from objections that annual interest on loans and short-term commercial credits puts an ever-tightening Western noose around Russia's neck, often with unacceptable conditions about the nature of reform measures, and that these loans cannot be counted on from year to year. It is time, therefore, to think about more altruistic and functional kinds of loans and credits to Russia—ones that are for a much longer period of time; are given at long-deferred and low rates of interest, or even interest free; come free (or freer) of the draconian monetarist conditions imposed by the I.M.F. and are guaranteed for several years. As for American worries that such generous and less conditional loans will disappear down some "black hole," they are considerably exaggerated; we have sent billions of dollars to many other countries with deeper black holes.

At least three programs with earmarked Western funds are also essential for Russian reform: one to help convert excess military plants to civilian production, another to provide start-up loans to small private enterprises and a third to subsidize unemployment benefits for Russians left jobless as marketization proceeds and superfluous state companies shut down. Military conversion is exceedingly complicated, and requires joint U.S.-Russian measures that would be applied simultaneously to our own excess defense producers. The other two programs would be relatively cheap for the United States, given the current value of the dollar against the ruble. But unemployment benefits and start-up loans must be administered by Russian agencies staffed by Russians using rubles, not by Americans using dollars, as is being proposed. Both programs should target the Russian provinces, where unemployment benefits and funds for small enterprises are considerably less available than they are in capital cities. And new Russian firms that will actually produce something, unlike the overwhelming majority that now merely speculate in state goods, should be favored.

Most observers also agree that Russia needs large private

American investment, but very little has been invested so far. The main reason cited is the lack of Russian laws protecting such investment. But the U.S. government could do much more than it has to provide its own guarantees to American investors and to negotiate with the Russian government on their behalf. The Administration could begin immediately with already existing private proposals that are well conceived and mutually beneficial. U.S. investment in Russia's energy production, for example, could earn Russia needed hard currency and reduce America's dependence on Persian Gulf oil.

"Technical aid" to Russia has become a cliché, but what it means is not fully clear. If it means political meddling, bad advice or teaching Russians what they already know, it's a waste of resources and an excuse for not giving more generous help. A great many Russians are better educated, more professional and more entrepreneurial than is generally assumed in the West. In that and other important respects, Russia is not a Third World country. When technical aid provides essential know-how and equipment that is actually lacking, it should be encouraged and expanded. But the U.S. government is itself a serious obstacle to technological assistance to Russia. Various restrictions still exist on so-called high-tech exports needed for modernization and investment in Russia, ranging from advanced desktop computers to high-capacity telephone lines. The Clinton Administration should quickly abolish these regulations and other cold war relics.

Finally, something should be done to help Russia's professional and other middle classes, which were the original social basis for reform in the 1980s but now have been victimized by the shock therapy policies. One valuable approach would be to give financial support to the universities and other educational centers that were the crucible of Soviet Russia's middle classes and now are nearly destitute. Here, U.S. private foundations could play a special role. And here, too, priority should be given not to Russia's capital cities but to remote and disadvantaged provinces. It is there, after all, that the great majority of citizens live, and it is there that the new Russia will eventually emerge.

If all this seems too much to ask of Americans worried about their own economic future, and thus of their new President, who wishes to be re-elected, the full case for helping Russia reform must be clearly understood. Most immediately, of course, it involves the looming risk of chaos, civil war or despotism in that nuclear-laden land. But there are other reasons.

Having demanded for seventy years that Soviet Russia give up its bad ways, and having spent trillions of dollars over forty years trying to force it to do so, this U.S. government will be judged very harshly by future citizens and historians alike if it does not generously help Russia change now that the moment has finally come. Or perhaps we will be remembered mainly for having supported measures that destroyed yet another nascent Russian experiment with parliamentary democracy and again plunged the country back into its despotic traditions. Nor will Russia, when it re-emerges in its predestined role as a very great power, forget how other powers treated it during its present time of troubles. What we do now, or fail to do, will shape our children's and grandchildren's relations with Russia as well. □

First Lady Hillary Rodham Clinton
The White House
Washington
DC
20500

att'n Margaret A. Williams
1600 Penn Ave.

Katharine D. Knowles
POB 161
Old Lyme
CT 06371

THE WHITE HOUSE
WASHINGTON

Ms. Katherine D. Knowles
P.O. Box 161
Old Lyme, CT 06371

xerox
no response

THE WHITE HOUSE

WASHINGTON

Ms. Katherine D. Knowles
POB 161
Old Lyme, CT 06371

Dear Ms. Knowles:

Thank you for your letter of March 31, 1993 regarding Boris Yeltsin. I apologize for the delay in sending a response, but thousands of wonderful, concerned individuals like yourself have taken the initiative to write in to express their concerns. I am trying to respond to each and every person.

I have forwarded your correspondence to President Clinton. Thank you again for taking the time to make your voice count.

Sincerely,

Maggie Williams
Chief of Staff to the First Lady

THE WHITE HOUSE

WASHINGTON

Ms. Evelyn G. Horad
2118 University Boulevard West
Silver Spring, MD 20902

Dear Ms. Horad:

Thank you so much for your kind invitation to attend the Seventh Annual Teenage Appreciation Day Awards Ceremony.

I am sorry that I was unable to respond in a more timely fashion, but your letter arrived in my office too late after the event was scheduled.

It is very gratifying to receive letters from concerned citizens involved with young people, especially as volunteers, and I appreciated you taking the time to write to me.

With all the best wishes,

Sincerely yours,

Margaret A. Williams
Chief of Staff to the
First Lady

March 28, 1993

Evelyn G. Horad
2118 University Boulevard West
Silver Spring, MD 20902

Dear Ms. Horad:

Thank you so much for your kind invitation to attend the Seventh Annual Teenage Appreciation Day Awards Ceremony.

I am sorry that I was unable to respond in a more timely fashion, but your letter arrived in my office too late after the event was scheduled.

It is very gratifying to receive letters from concerned citizens involved with young people, especially as volunteers,and I appreciated your taking the time to write to me.

With all best wishes,

Sincerely yours,

EVELYN G. HORAD
2118 University Blvd. W.
Silver Spring, MD 20902
(301) 949-1397

March 9, 1993

My dear Ms. Williams,

The attached information concerns a program that we feel should be encouraged nationally.

We wish to invite you and/or a representative to observe and participate in the Ninth Annual Teenage Appreciation Day Ceremony in 1994. If there is anyway a representative could attend next Friday, the 19th, it would be fantastic!

Never have I experienced such excitement and hope in Washington, DC as has been generated since President and Mrs. Clinton arrived.

Hoping to be of some service to the youth in the city and area, and to assist as an active volunteer, community activist, concerned Grand Mother,

I am - Very sincerely
Evelyn G. Horad

For Further Information Contact:

Jeffery M. Johnson
Avon A. Matthews
(202) 488-2090

FOR IMMEDIATE RELEASE:
January 15, 1993

NEWS RELEASE

United Way
of the National
Capital Area

95 M Street, S.W.
Washington, DC 20024-3640

DISTRICT OF COLUMBIA UNITED WAY ANNOUNCES HONOREES FOR SEVENTH ANNUAL TEENAGE APPRECIATION DAY AWARDS CEREMONY

The District of Columbia United Way has announced the names of 15 Washington, D.C. young people who will be honored at its Seventh Annual Teenage Appreciation Day Awards Ceremony on Friday, March 19 at 10:00 a.m. in the D.C. Convention Center. The Reverend Lewis M. Anthony, pastor of the Metropolitan Wesley A.M.E. Zion Church, will be the guest speaker.

Awards will be given to the honorees based on a selection criteria comprised of the following: personal achievement or goal setting, teamwork and leadership skill, willingness to accept responsibility, scholastic achievement, commitment to helping others, being a positive role model for his or her peer group, and unusual challenges overcome. The youth were nominated for the program by various United Way youth-serving agencies and chosen by a Selection Committee comprised of United Way volunteers and agency personnel.

Each honoree will receive a jacket embossed with the United Way logo, a plaque, a gift certificate for a pair of Reebok tennis shoes and a $100 savings bond. The honorees are Teresa Austin, Anthony Brent, Darnita Brown, Michael Coates, Rashida Coley, Asiya Nickens-El, Carlton Hardy, Tyrone Hillie, Tremayne Jackson, Shareynique Jones, Verlon Mason, Chimene Montgomery, Andrea Mosee, Belinda Nelson and Christina Pryor. Interviews with the honorees are available upon request.

more

Teenage Appreciation Day was organized and developed by the District of Columbia United Way as a means of paying recognition to young people who can serve as positive role models for their peers. Now completing its seventh year, the program also offers workshops focusing on the theme of a positive perception of self. The workshops for this year are "AIDS and AIDS Prevention," "Communication Between Parents, Teenagers, and Their Peers," and "Grants and Scholarships."

Funding for the program has come from many private donations and Delta Sigma Theta Sorority, Washington, D.C. Alumnae Chapter.

Interviews with the honorees are available upon request.

##

Contact: Evelyn G. Horad
2118 University Blvd. W.
Silver Spring, Md. 20902
(301) 949-1397 or
942-8363

International Human
Rights Law Group
presented award to
Mme. Mitterand May 13.
Wanted HRC to present.
-date has passed
-scheduling sent
letter

P[illegible]
[illegible]
[illegible]?

Maggie - I did
personal letter
saying his schedu-
ling request was
forwarded to
Patti -- do not
know response
from scheduling
Pam

Patti +
(1) Maggie
(2) R

LAW OFFICES
WILLIAMS & CONNOLLY
725 TWELFTH STREET, N.W.
WASHINGTON, D.C. 20005
(202) 434-5000

GREGORY B. CRAIG
(202) 434-5506
FAX (202) 434-5760

EDWARD BENNETT WILLIAMS (1920-1988)
PAUL R. CONNOLLY (1922-1978)

March 22, 1993

BY HAND

The Honorable Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C.

Dear Hillary:

First let me extend my own personal, albeit belated, congratulations and welcome to you and to your family. As you know, Derry and I have lived here since 1977. Now that we have four small children, we are more rooted here than ever. I do hope that we will have a chance to get together and catch up at some point during the next eight years.

I am writing you with a specific purpose in mind. I am the new Chairman of the Board of the International Human Rights Law Group. The Law Group was created in 1978 as the Washington, D.C. legal community's human rights organization. With the active support of the lawyers in Washington, D.C. -- the law firms, the law schools, the corporate lawyers and the public interest lawyers -- the Group has had a real impact on tough problems throughout the world for almost fifteen years.

Each year, the Law Group honors an ~~individual~~-- and sometimes an organization as well -- who has demonstrated enormous commitment and courage in the cause of human rights. This year at our Fifteenth Anniversary Annual Banquet, we are presenting this year's award to the First Lady of France, Madam Danielle Mitterand, in recognition of the extraordinary work that she has done in support of human rights around the world.

Madam Mitterand has accepted our invitation and will be with us the evening of May 13, 1993. We would be doubly honored if you would be willing to present the award to her on behalf of the Law Group. Your presence with us that evening would give you an opportunity to set forth in your own words the Clinton Administration's support of the human rights movement.

I am taking the liberty of enclosing some material about the Law Group for your background information. Knowing you, I would expect you to be a good friend to the Law Group and a strong supporter of the Law Group's work. We are, however, acutely aware of the many demands being made on your time these days and would of course work hard to accommodate your schedule that evening.

I look forward to hearing from you and -- even more -- if you accept, to working with you on this project.

Warmest best wishes,

Greg

Gregory B. Craig

THE WHITE HOUSE

WASHINGTON

File

March 22, 1993

MEMORANDUM FOR: Hillary Rodham Clinton

FROM: Ann Stock

RE: Article Written by William G. Cahan, M.D.
(Grace Mirabella's husband)

This article is being submitted to The Washington Post, by Dr. William G. Cahan, a noted surgeon. As you will see the article is about the ban on smoking in the White House. It is very interesting and I thought you would like to read it.

cc: Maggie Williams
Melanne Verveer

March 12, 1993

Ms. Ann Stock
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear ms. Stock:

My wife, Grace Mirabella, thought that you would like to see the enclosed and perhaps show it to Mrs. Clinton.

I am submitting it to The Washington Post's Letters to Editor and if rejected, to The New York Times.

Sincerely yours,

William G. Cahan

William G. Cahan, M.D.
Attending Surgeon

WGC/ba
Enc.

TO: FL
cc: Maggie Williams
Melanne Verveer

Mrs. Clinton's Courage
or
A Dime of Prevention is Worth a Dollar of Cure

Mrs. Clinton's ban on smoking in the White House is not to be taken lightly as it has broader implications than just her concern about clothes, room air and furnishings being contaminated by tobacco fumes.

For one thing, it signals that as Chairperson of the President's Task Force on Health Care Reform, Mrs. Clinton and her committee will probably explore ways to reduce tobacco use that each year, kills 450,000 Americans while draining 60 billion dollars from our troubled economy.

What her forthright stand on smoking also indicates is that she is courageous enough to break with established mores if she believes these to be wrong. In addition, it shows her to be uncompromising bY putting principle above opportunism, for she knows that her highly visible anti-smoking decision risks antagonizing powerful tobacco interests.

This is no small concern. As the wife of a three term Governor, she is familiar with the give and take of politics and that special interest groups such as those serving tobacco companies, are not likely to forgive nor forget so well publicized a slight. As a result, pro-tobacco forces both in and out of Congress, are not above using various maneuvers to retaliate as, for example, lobbying to block President Clinton's key legislative proposals or withholding financial support should the President run for re-election.

The ban's effect could resonate beyond our borders were our foreign service officers to adopt Mrs. Clinton's plan and make American consulates and embassies smoke-free. ConceivablY, officials of some of the various countries would be persuaded to do the same.

Yet another by-product of Mrs. Clinton's smoking restrictions is that the extensive media coverage it has attracted has raised the public's awareness of how those at the top find tobacco use so intolerable that they will take strong measures to discourage it. Moreover, the publicity it received has accelerated the momentum already generated by warning labels, Surgeon Generals' reports and anti-tobacco activists in raising the public's consciousness about the perils of smoking and the cynicism of those who profit from it.

Another example of how Mrs. Clinton's action has helped shape the anti-smoking environment is that, in breaking with the White House custom that permitted smoking everywhere at anytime, she serves as the model for those who are repelled by guests lighting-up in their homes, but have been too timid or shy to let their feelings be known. Now, besides feeling more secure in voicing their objections, they need no longer feel obligated to supply guests with cigarettes and ashtrays.

A major problem facing the new administration is how to reduce the huge national debt. As health care is an enormous economic burden, the President has begun searching for remedies of which Hillary Clinton's Health Task Force is an example. Another valuable, long range approach is to emphasize the life saving and cost benefits of preventive medicine, a motto for which could be: a dime of prevention is worth a dollar of cure. President Clinton has already indicated his advocacy of such a policy for, as Governor of Arkansas, he approved of several measures to reduce smoking related diseases. What is consistent with his past performances and symbolic of his future intentions is that, regardless of its political consequences, he is willing to abide by Hillary Clinton's anti-smoking restrictions in the White House.

It is evident, therefore, that to concentrate on the superficial features of the smoking ban is to lose sight of its deeper significance. Besides clearly illustrating that Mrs. Clinton has the integrity to make tough decisions, particularly if they will save lives, it signals the beginning of a unique chapter in the annals of medical-political history: a President and his wife joining forces to combat America's Public Health Enemy #1, smoking. For them to make such a tradition-breaking, far-reaching commitment so soon after taking residence in the White House, augurs well for their being a positive force for the good of us all.

ACT

Alliance for Cannabis Therapeutics

March 21, 1993

Ms. Margaret Williams
Asst to the President &
Chief of Staff for Hillary Rodham Clinton
The White House
1600 Pennsylvania Ave. NW
Washington, DC 20500

Dear Ms. Williams:

Americans are dying, going blind and being crippled by the Bush Administration's cynical, and publicly unpopular prohibition against marijuana's medical use.

Shortly after the election, Mr. Richard J. Dennis of Chicago commissioned a detailed assessment of marijuana's medical uses, and of federal policy changes which could help ease the suffering of seriously ill Americans who might medically benefit from legal, prescriptive access to marijuana.

Enclosed is a copy of the resulting publication, *Marijuana as Medicine: Initial Steps.* This document speaks to our very real desire to work closely with the Clinton Administration to define a more rational and compassionate way to meet the urgent medical needs of seriously ill Americans.

If, after reviewing the enclosed information, you or members on your staff have any questions, please feel free to contact us at the Alliance.

Looking forward to working with you and the Clinton administration to resolve this long-standing public health issue, I remain

Sincerely yours,

Robert Randall
President, ACT

RCR/bms

P.O. Box 21210 / Kalorama Station / Washington, DC 20009
Telephone: (202) 483-8595 / Fax: (202) 797-9543

MARIJUANA-AS-MEDICINE

Basic Background

Did you know:

- Thirty-four states have legislatively authorized marijuana's medical use. More than 87% of the legislators in these states voted to end legal prohibitions against marijuana's legitimate medical uses.
- Many of the nation's major legal organizations including the American Bar Association (ABA), the National Association of Attorneys General (NAAG), the National Association of Criminal Defense Lawyers (NACDL) and the American Civil Liberties Union (ACLU) have enacted Resolutions calling on Congress to end federal prohibitions against marijuana's medical use.
- More than five million Americans are afflicted with life- or sense-threatening disease which are responsive to marijuana therapy. These include patients suffering from cancer. glaucoma, multiple sclerosis, paralysis, chronic pain and HIV-infection.
- In 1988, DEA's Chief Administrative Law Judge ruled that the federal prohibition against marijuana's medical use is "*unreasonable, arbitrary and capricious*". The Judge recommended marijuana be made medically available to patients by prescription. DEA, however, refused to abide by the Judge's verdict. In 1991, the U.S. Court of Appeals ordered DEA to reconsider its opposition to marijuana's legitimate medical use.
- A Harvard survey of cancer specialists recently published in the *Journal of Clinical Oncology* reports 44% of the nation's leading oncologists have advised patients to break the law to illegally obtain the marijuana they medically need. More than 70% of the nation's cancer specialists told Harvard researchers they would prescribe marijuana if it were legally available. Until federal laws are changed, however, most patients will be forced to get the marijuana they medically need off the streets.
- The same Harvard survey reports most cancer specialists have found smoked marijuana to be a more effective nausea reducing drug than the FDA promoted synthetic substitute, marketed under the brand name, *Marinol.*
- Medical studies conducted in New Mexico, New York, Michigan, Tennessee and California consistently report the government authorized *Marinol* "pot pill" is medically inferior to marijuana and more likely to cause adverse side effects. Patients consistently report a preference for marijuana over medically inferior synthetic alternatives.
- Synthetic *Marinol* costs $8 per pill. Marijuana costs about a penny per dose.
- The FDA 's Compassionate IND program began in 1978. Under the Compassionate IND program patients with life- or sense-threatening diseases can legally obtain supplies of medicinal marijuana. FDA has authorized marijuana's compassionate medical use in the treatment of cancer, glaucoma, AIDS, multiple sclerosis, paralysis and chronic pain.
- The courts have ruled marijuana can be a drug of "medical necessity" for patients afflicted with glaucoma, multiple sclerosis and AIDS.

If you would like more information on marijuana's medical use please contact the Alliance.

The **Alliance for Cannabis Therapeutics (ACT)** is a Washington based patient-rights group founded in 1980. For more than a decade the Alliance has provided patients and policy makers with up-to-date information on marijuana's important therapeutic uses.

Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a publication.

Publications have not been scanned in their entirety for the purpose of digitization. To see the full publication please search online or visit the Clinton Presidential Library's Research Room.

Marijuana as Medicine

Initial Steps

Recommendations for the Clinton Administration

Robert C. Randall & Alice M. O'Leary

March 20, 1993

Ms. Margaret Williams
Assistant to the President
Chief of Staff for the First Lady
The White House
Washington, D.C. 20500

Dear Maggie:

Anything you can do to help with this would be greatly appreciated.

Thanking you in advance,

Sincerely,

Frank B. Moore

Enclosures

Form letter
- Fwd. your req. to scheduling

- no response necessary
- "cc" of ltr sent to HRC re: event on June 28

A request for Mrs. Clinton and Donna Shalala to speak at first annual Chicago Health Department Conference June 28 and 29 - made up of directors of public health departments from nation's largest cities

City of Chicago
Richard M. Daley, Mayor

Department of Health

50 West Washington Street
Chicago, Illinois 60602
(312) 744-4323
(312) 744-2960 (TDD)

DATE: April 29, 1993

TO: Honorable Richard M. Daley
Mayor

FROM: Sheila Lyne, RSM
Commissioner
Department of Health

SL

RE: Support for Speaker Acquisition for the "Big City Health Department Conference"

Recently I forwarded to you a packet of information and a request to speak at the first Big City Health Conference. I am pleased to be able to inform you that we have received a positive response from 65% of the invited cities. We are also developing the major content areas of the conference, at this time.

Two of the major speaker invitees are Mrs. Hillary Rodham Clinton and Donna Shalala, the Secretary of Health and Human Services. As of this date, I have not received a response from either Mrs. Clinton or Secretary Shalala. I am asking that you assist us by seeking confirmation from these special keynote speakers. Considering the major topic that health care reform has become, and considering that this conference will be an excellent forum for each of them to speak on this issue, it is an excellent opportunity to present the administration's Health Care Reform information. In addition, their participation will enhance the content and support our objective of creating a consortium of big city public health officials.

I have attached the original request letters for your information, and look forward to a positive response from you and both of these speakers with your assistance.

c: F. Ginther

Josie,
The mayor has sent letters of
request & support to both
Ms Clinton & Sec Shalala
Thank you for any assistance
you can lend. SL

City of Chicago
Richard M. Daley, Mayor

Department of Health

Sheila Lyne, RSM
Commissioner

50 West Washington Street
Chicago, Illinois 60602
(312) 744-4323

March 11, 1993

Hillary Rodham Clinton
1600 Pennsylvania Avenue
Washington D.C. 20270

Dear Mrs. Clinton:

In Chicago, on June 28 and 29, 1993, the Directors and Commissioners of Public Health Departments from the nation's largest cities will convene the first annual Big City Health Conference, "Healthy Cities Working Together" to address their most pressing public health problems. On behalf of the conference, I am inviting you to speak about your "Health Care Reform Legislation and It's Impact on Public Health Problems Facing Big Cities."

This unprecedented event, sponsored by the Chicago Department of Health and the Marion Merrell Dow, Inc. will unite the Commissioners or Directors of both county and city health departments serving the Country's 40 largest cities. The conference's two main objectives are:

1. To provide a forum for the presentation and sharing of innovative public health strategies in large urban areas.

2. To establish a consortium of large city health departments to ensure ongoing information sharing and to serve as an advocacy group for successful programs and strategies.

I am very excited about this undertaking. Should all forty cities invited be in attendance, over 15% of the U.S. population would be represented. Your presence at this historical conference would assure maximum participation. This audience will truly provide an interesting forum for discussion of health care reform issues facing large urban areas

In addition, this would be a press-worthy event of national significance. Presently, the conference agenda could accommodate your presentation on either day of the conference.

Thank you in advance for considering this request and I anxiously await your response.

Sincerely,

Sheila Lyne

Sheila Lyne, RSM
Commissioner

City of Chicago
Richard M. Daley, Mayor

Department of Health

Sheila Lyne, RSM
Commissioner

50 West Washington Street
Chicago, Illinois 60602
(312) 744-4313

March 11, 1993

Donna Edna Shalala
Secretary
Department of Health and Human Services
Washington D.C. 20270

Dear Secretary Shalala:

In Chicago, on June 28 and 29, 1993, the Directors and Commissioners of Public Health Departments from the nation's largest cities will convene the first annual Big City Health Conference, "Healthy Cities Working Together" to address their most pressing public health problems. On behalf of the conference, I am inviting you to speak about your "Public Health Programs Under the Clinton Administration and the Role of Big City Health Departments."

The Chicago Department of Health and the Marion Merrell Dow, Inc. are bringing together the Commissioners or Directors of Health and their key staff from county and/or city health departments serving the country's 40 largest cities to participate in this historical and exciting first time event. The conference's two main objectives are:

1. To provide a forum for the presentation and sharing of innovative public health strategies in large urban areas.

2. To establish a consortium of large city health departments to ensure ongoing information sharing and to serve as an advocacy group for successful programs and strategies.

I am very excited about this nationally significant undertaking. This unique group of health professionals would certainly be a very captive audience for your presentation. Presently, the conference agenda could accommodate your presentation on either day of the conference.

Thank you in advance for considering this request and I anxiously await your response.

Sincerely,

Sheila Lyne

Sheila Lyne, RSM
Commissioner

CHICAGO WORKS

THE WHITE HOUSE
WASHINGTON

Ms. Sheila Lyne
Commissioner, Department of Health
50 West Washington Street
Chicago, Illinois 60602

MEMO The Heritage Foundation

To: Ms. Maggie Williams, Chief of Staff, Office of the First Lady

From: David M. Mason

Date: March 18, 1993

Subject: Answering the Clinton challenge, critiquing the Clinton budget

The President is right, we have a deficit problem, and it must be solved. The source of that problem is government spending, which is growing faster than national income. Taxes cannot cure our spending problem.

The President has challenged critics of his program to come up with specific plans of their own. **The Clinton Challenge Answered** offers 151 specific spending cuts totaling $609 billion over five years, enough to cut the deficit in half without tax increases.

The Heritage plan is drawn from "off-the-shelf" spending cuts already developed by the Congressional Budget Office, the General Accounting Office and by the Office of Management and Budget.

Heritage's plan will eliminate, for example; honey, wool, and mohair subsidies and reduce funding to Amtrak. The Heritage list does not include any cuts in Social Security or defense spending.

Though you may disagree, you will find the enclosed analysis of **The Clinton Economic Program: Myths and Realities** to be informative. Richard Rahn debunks myths: that tax increases can close the budget deficit, and that government spending can spur an economic recovery.

The proposed energy tax in particular is examined in **The Flaws In Clinton's Energy Tax.** Heritage analyst John Shanahan condemns the proposed Btu tax as regressive, inflationary, and administratively complex.

Diane Maggie's memo
No Response Needed

The Heritage Foundation Backgrounder

No. 934 The Heritage Foundation 214 Massachusetts Avenue N.E. Washington, D.C. 20002 (202) 546-4400

The Thomas A. Roe Institute for Economic Policy Studies

March 18, 1992

THE FLAWS IN CLINTON'S ENERGY TAX

INTRODUCTION

As part of his budget deficit reduction plan, President Bill Clinton has proposed a tax on the energy content of various fuels. The plan is to impose a 25.7 cent tax on coal, natural gas, nuclear power, oil, and even hydropower, for every million Btu's or mmbtu's.[1] The plan also calls for a 34.2 cent mmbtu "Supplemental Oil Tax," which would make the effective tax on oil 59.9 cents. The only energy sources that would not be taxed are wind and solar power. The tax would be phased in over a three-year period beginning in mid-1994.

The proposed energy tax, which is designed to raise approximately one-fourth of the total revenue for Clinton's budget package, is ill-conceived and is being sold to working class and poor Americans on false pretenses. The Administration is building support for this tax by maintaining that it will reduce dependence on foreign oil and that it will help the environment. Clinton also claims that the tax will not unduly burden middle-class families and will not affect the poor.

But the tax will have very different effects from those claimed by the White House. Specifically:

- ✘ The cost to the average family will be about 40 percent higher than Clinton claims.
- ✘ Millions of poor families will be worse off if the tax is enacted.
- ✘ The economy is likely to be dampened by this tax's negative effect on international trade.
- ✘ Foreign refiners will gain at the expense of domestic refiners.
- ✘ Foreign oil dependence likely will increase because domestic production will fall.
- ✘ The environment may be harmed because greater use of high-sulphur eastern coal will be encouraged.

1 British thermal units, which is the amount of energy consumed to warm a pound of water one degree Fahrenheit at 39°F.

The Clinton Administration thus is attempting to push through Congress a huge new energy tax, claiming that it will bring benefits while imposing little or no burden to Americans with low or modest incomes. But the "benefits" are unlikely to occur, and the cost will be much higher to families than the Administration claims. Even worse, the tax will increase dependence on foreign oil, while doing little or nothing to help the environment.

HOW THE WHITE HOUSE HIDES THE COST

In his February 17, 1993, speech to a joint session of Congress outlining his economic strategy, Bill Clinton proposed a new tax on energy to raise funds for his deficit reduction package. He promised that the tax would cost families making over $30,000 only $17 a month (or $204 per year). He further promised that those making under $30,000 would feel no tax bite due to offsetting government spending.

Both of these promises were false.

Soon after the speech, it became clear that the White House definition of "income" is very different from that understood by average Americans. For instance, the Administration counts as household income the rentable value of the home the family owns, as well as the value of employer-provided health benefits.[2] Thus, when Clinton says the tax will apply only to those families making over $30,000, he means that it will apply to those families whose gross income according to the IRS is nearer to $20,000.

The Administration also began to shift ground on the size of the tax. Energy Secretary Hazel O'Leary now says that the average family of four making $40,000 would feel a tax bite of $320 a year when the tax is fully implemented.[3] And even this much larger figure understates the true impact of the energy tax. Figures prepared by the American Petroleum Institute (API), for instance, indicate that the annual tax bite on an average family of four actually would be $471.[4] Why the discrepancy?

The Administration's estimate of a $320 cost for the average family of four is likely to be well below the true cost. One reason for this is that in calculating the cost the Administration uses a novel economic theory which assumes that not one penny of the energy tax will be passed on to consumers through higher prices. The White House is telling industry a very different story. As Kenneth Lay, Chairman of Enron, the country's largest natural gas company, said earlier this month within hours of meeting with Secretary O'Leary, "The Administration has assured [the energy industry] at every turn that the tax [is designed] to be passed on to the consumer...that this is to be a tax on energy, not on the energy industry."[5]

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2 For a list of items the White House uses to compute income, see Daniel J. Mitchell, "Taxes, Spending, Gimmicks, and Snake Oil: Why Clinton's Budget is Bad for America," Heritage Foundation *Backgrounder* No. 932, March 16, 1993.

3 NBC *Today* Show, February 22, 1993. The precise figure being put forth by the Administration, to which Secretary O'Leary was referring, is $322 for a family of four making $40,000.

4 The government and the American Petroleum Institute both used a family of four to calculate the effect of the energy tax on households. API calculated the per capita effect of the tax and then multiplied this by four. This method does slightly overstate the effect of the tax on an "average" family of four because larger families usually use less energy per person than smaller families. The average size household is 2.7 people. The exact methodology used by the Administration to arrive at the cost for a family of four is unknown.

5 Speech at a CATO Institute conference on Natural Gas Deregulation, Washington, D.C., March 4, 1993.

The cost to families depends greatly on whether the tax will be passed on to the consumer or absorbed by the energy industry. If the tax is absorbed by the industry, the money would come from pre-tax income either by suppressing wages for workers or income and dividends in the industry. If passed on, it would come out of the after-tax incomes of consumers—implying a higher effective burden. If a larger share of the tax is not passed on, then the Administration's figures would be fairly accurate—although still about ten percent too low because the Administration ignored its own projections of future energy consumption.[6] However, if tax costs are substantially passed on to the consumer, then the tax bite to the average American could be over 40 percent higher than the White House claims.

While not all costs of the tax would be passed through to the consumer, previous experience, as well as standard economic analysis, suggests that most of the tax would be passed on to the consumer in the form of higher prices on almost all goods and services. Although estimates vary, the percentage of the energy tax likely to be passed on to the consumer is between 60 percent and 80 percent.[7] Thus, most of the tax will be on consumers' after-tax incomes rather than, as the Administration claims, on their before-tax income (due to lost wages). Using this more realistic assumption, the total tax collected would be $29.3 billion to $30.9 billion (or $109 to $115 per capita). For a typical family of four, this works out to be $437 to $461 per household.

Household costs would, of course, vary by region. For instance, a four-member household in Rhode Island could expect to pay only up to $285 in direct and indirect energy taxes, while a household in Montana, a state with cold, long winters and low population density, would pay up to $566. Unfortunate Alaskans would pay up to $1,407.[8]

HOW THE TAX HELPS FOREIGN COMPETITORS

Refined gasoline coming over the border would cost less to produce than gasoline refined in the United States. So foreign suppliers of refined petroleum would have an advantage over domestic suppliers. The reason? Approximately 42 percent of the costs of refining are due to the energy content that is used in the refining process.[9] Thus, while both foreign and American refiners would pay a tax on the energy content of the refined gasoline, the American refinery would be saddled with an additional tax on the energy used in the refining process. Thus, on average, American refiners would pay much more tax than their foreign counterparts. Since only the part of the tax that both countries' refiners pay could be passed on to consum-

6 If all the Administration's assumptions are correct, then there will be an almost $30 billion reduction in gross wages for employees. But the net reduction in salaries would be just over $22 billion because the federal government would have taken back 25 percent through income tax anyway. Ironically, if these assumptions are correct, the lower middle class will be hit with the lion's share of the tax burden. Since the productivity of labor will be reduced due to increased energy costs, wages will be lowered primarily in the unskilled labor sector. Even if the Administration's economic assumptions were correct, the White House estimate would understate the impact of the tax by about ten percent.

7 Telephone interview with Philip Verlenger, Visiting Fellow at the Institute for International Economics. Note that the range indicated is a conservative estimate.

8 Based on per capita expenditures, adjusted downward to account for average tax costs absorbed as wage suppression, multiplied by four.

9 This energy used in the refining process is approximately 6 percent to 8 percent of the energy recovered. But it is over 40 percent of the total costs of refining.

ers, American refiners would be forced to absorb much of the additional tax.[10] This tax will be on an already overburdened industry. An ongoing National Petroleum Council study reportedly finds that U.S. refiners now face a penalty of about 7 cents a gallon (when compared with foreign refiners) due to environmental compliance costs. Within six or seven years, moreover, this penalty will increase to 13 cents a gallon.

Other foreign companies supplying the United States also would gain a competitive advantage from the energy tax. The tax would not apply to the energy used in goods manufactured abroad, only to domestic products. Since most foreign countries subsidize energy used by their industrial sectors, the Clinton tax would give foreign manufacturers an additional competitive edge.[11] As Michael Schuyler, Senior Economist at the Washington, D.C.-based Institute for Research on the Economics of Taxation, wrote in 1990, "it seems bizarre to propose a tax that would raise production costs of American businesses across the board. The tax would penalize U.S. exports and invite the substitution of foreign for American production in the domestic U.S. market."[12]

WHY THE TAX IS REGRESSIVE

The Administration candidly admits that the energy tax is regressive, but claims to have offset its impact on families making under $30,000 a year. This is not accurate.

Many Americans, and lawmakers, have the wrong impression that this tax operates like a flat, proportional tax on income. In reality, it taxes the spending of the poor more than the wealthy. The reason is that poorer families, and to a lesser extent middle-class families, spend disproportionately more of their annual budget (including government entitlements) on basic goods such as heating and gasoline than do wealthier families.[13] Hence, an increase in the price of energy would harm them disproportionately.

Clinton claims that the burden on the poor will be offset by other policies, such as an increase in the food stamp and earned income tax credit programs. However, even if there were a full offset, the Administration's assertion that families making up to $30,000 will be spared the effect of the tax is based on the inflated income statistics discussed earlier. Moreover,

10 Another problem of the tax centers on the tax's incidental effect on domestic refiners exports. In essence, the tax would impose tariffs on exports of $3.15 on a barrel of gasoline and $3.50 a barrel on distillate fuel and crude oil. Thus, refiners would suffer on world markets.

11 The myth that foreign manufacturers pay heavy energy taxes stems from the correct notion that many foreign countries impose heavy taxes on gasoline. But industrial energy subsidies offset, and often more than offset, the impact of high gasoline taxes. Because of foreign competition, U.S. industries that are energy intensive could not simply pass on all costs. A business also might not be able to raise prices simply because people forego or substitute the good when small increases in price occur. A potential example of one of these phenomena might be the airline industry. It would see its jet fuel cost rise by 12 percent, or $800 million per year, according to Philip Verlenger, Visiting Fellow at the Institute for International Economics, in testimony before the U.S. Senate Committee on Energy and Natural Resources, January 24, 1993. If the tax were passed through to consumers, the costs for air travel would increase dramatically domestically and U.S. airlines would lose business on some international routes.

12 Michael Schuyler, "Energy Taxation is Not the Answer," Institute for Research on the Economics of Taxation *IRET Byline*, No. 90, July 20, 1990.

13 Based on calculations by author using data from the Bureau of Labor Statistics.

when the offsets proposed are examined, it appears that millions of lower income families will not be protected from the tax's effect.

This means that the assertion that low-income families will not face added financial burdens is untrue. Almost 50 percent of families earn less than $30,000 annually (and over 40 percent earn less than $25,000).[14] The Administration intends to increase government income assistance programs, such as food stamps, earned income tax credits, and energy assistance to this group. In the aggregate, spending increases on this income group may indeed equal the amount this group pays in taxes—although the Administration's underestimate of the tax burden means this assertion probably is not true. Nevertheless, individual families will not all fare as well.

For instance, some families live in rural areas or must travel long distances to work. These "high mileage" families buy more gasoline and will pay a higher share of the tax. On these families, the additional 10-12 cents a gallon due to the Clinton energy tax will be a greater burden than on those families living in cities.[15] Similarly, low-income families will differ in the amount of additional government assistance they receive. For instance, those families already receiving food stamps are unlikely to benefit from an expansion of the food stamp program, because food stamp benefits are not likely to increase significantly. Rather, the increased funding mostly will be used to expand eligibility. Thus, those newly eligible will benefit greatly.

When the disparate impacts of the tax and the entitlement benefits are combined, the effects will differ widely. Those facing the highest burdens will be the unfortunate "high mileage" or other energy-intensive families currently receiving welfare, who will see their additional costs far outstrip their increased benefits. Those experiencing windfall benefits will be the "low mileage" families who will become eligible for welfare for the first time, and who will enjoy larger benefits than their increased costs.

A BLOW TO ENVIRONMENTALISM

The energy tax has also been touted as a way to protect the environment. But rather than helping the environment, it will be neutral —or even harmful.

It is true that some conservation will take place because of the tax. The Administration estimates that this conservation will reduce energy usage 1.9 percent by 1997 over the energy use that would have occurred without the tax. While this may be slightly optimistic, it is plausible. But conservation should not be looked at as an end in itself. Arguments that energy needs to be conserved are based on a fundamental misunderstanding of the underlying economics. The scarcity of energy resources is already incorporated into the market price. Any attempt to in-

14 The 40 percent figure is given because Clinton defines income differently than does the rest of the United States Government. Thus, his offsets actually will be to those making several thousand dollars less than the $25,000 and below category released by the Census Bureau.

15 "The Clinton Btu Tax Proposal," Cambridge Energy Research Associates, February 1993. The Administration assumes that the additional tax on gasoline will be only about 8 cents. This figure is rejected by Cambridge Energy research Associates. The Cambridge figures, however, seem more credible since they reflect the amount of the tax on crude which can only be passed on to light fuels, rather than to heavy residuals. Regardless of which figure is correct, the argument outlined in the text holds.

crease energy conservation by raising a tax encourages firms to increase their use of other resources.

Thus the argument for conservation rests on the contention that it will reduce pollution. Naturally, a reduction in the burning of fossil fuels would reduce air pollution, if there were a uniform reduction among all fuel sources. However, the reductions would not occur uniformly due to distortions created by the tax.

In seeming deference to the power of Senator Robert Byrd of West Virginia, high-sulphur eastern coal has been granted a competitive advantage not only against oil, but also against low-sulphur western coal. As Philip Verlenger of the Institute for International Economics—who is no foe of higher taxes—noted in his January 24, 1993, testimony before the U.S. Senate Committee on Energy and Natural Resources, "this tax will push electric utilities and industrial firms to use more eastern coal." This will happen, said Verlenger, because the Btu tax would almost double the cost of coal at the mine mouth as well as increase already burdensome transportation costs. The "effect of the tax is to make the nation's cleanest coal (western coal) less competitive with dirtier eastern coal." Demand for eastern coal could very well increase under the new cost structure. The potential result: a net increase in pollution because of a switch to high-sulphur coal.

AN INCREASED DEPENDENCE ON FOREIGN OIL

The most ironic of all Clinton's rationales for an energy tax is his claim that a Btu tax will reduce U.S. dependence on foreign oil. If the tax is imposed, America in fact could become more dependent on foreign oil.

As discussed in the previous section, the level of energy conservation would be very modest, possibly two percent if the Administration projections are correct. Thus, the energy tax will reduce dependence on foreign oil only if domestic production remains constant or falls by less than two percent.[16] But a tax on energy will likely discourage domestic production because it will raise substantially the costs of using "enhanced recovery methods" to extend the life of oil fields. These are methods, such as pumping natural-gas-generated steam into oil fields, that require a large amount of energy to extract oil that otherwise could not be pumped. Since the tax would apply not only to the final product—oil—but also to the energy used in production, total costs would rise substantially. This could particularly be a problem for producers in such places as the San Joaquin Valley in California, where costs would rise by 50 cents per barrel, and in Alaska, where total costs could rise $100 million a year. The effect of the tax would be so profound that Verlenger predicts that California production will decline by 10 percent to 20 percent. This state's reduced production alone would probably more than offset any reduced overall demand for imports.

Thus total domestic production of oil will fall as a result of this tax—and will probably more than offset the modest conservation gains due to the tax. Consequently, foreign oil dependence will likely increase.

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16 Actually, demand for energy is expected to increase overall, but other fuel sources are likely to be substituted for oil. Additionally, foreign producers still would compete under the same cost structure despite changes in demand. The important point thus is what level of domestic production will occur in relation to foreign oil competition.

CONCLUSION

The energy tax proposed by the White House should be stricken from the budget package now before Congress.

None of the Administration's grocery list of reasons why the tax will benefit the country are valid. The White House has asserted that the energy tax will:

✓ Benefit the economy;

In fact, the U.S. trade balance will suffer because American goods will be less competitive. U.S. refiners will be burdened, moreover, and many will fail.

✓ Cost only $322 per family of four;

In fact, the cost will be around $450.

✓ Not affect the poor because of increased welfare;

In fact, millions of poor families will pay more for fuel and other goods without offsetting increases in welfare benefits.

✓ Benefit the environment;

In fact, increased burning of high-sulphur eastern fuel will be encouraged, and fossil fuel burning overall will be decreased by less than 2 percent.

✓ Decrease foreign oil dependence.

In fact, domestic production is likely to fall by more than demand—thus oil imports will likely increase.

This tax should be rejected for any one of these reasons. It certainly should be rejected when all are considered. This is not an investment in the American economy. It is a tax on America's economic growth.

John Shanahan
Policy Analyst

THE HERITAGE LECTURES

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Clinton's Economic Program: Myths and Realities

By Richard W. Rahn

The Heritage Foundation

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Clinton's Economic Program: Myths and Realities

By Richard W. Rahn

Washington's flight from reasoned and truthful discourse has never been more apparent. The advocates of the Clinton economic program have resorted to creating fantasy numbers to defend the indefensible. We are told that both a tax increase and a spending decrease—which according to their own numbers is really a spending increase—will reduce the deficit, reduce interest rates, create more new jobs, and increase economic growth. What economic theory provides such results? Certainly not the classical, Austrian, Keynesian, or supply-side. It's Alice in Big-governmentland!

The plain fact is, the Clinton economic program has no empirical or theoretical underpinnings, but to say so is to be labeled a tool of the special interests or even worse, unpatriotic. In addition to the economically illiterate—a large group due to the constant stream of misinformation from many in the press and the public education establishment—those who are supporting it are for the most part very special interests. These special interests are those that have a vested interest in bigger or more powerful government. Such special interests are not so easily classified because they include public employees, labor leaders, many employees and leaders of non-profit groups, and even many business men and women—anyone who is looking for special privileges from government or funding either directly or indirectly. Merely look at the business community, which is far from monolithic against big government. There are those who have a vested interest in protectionism to shield them from competition, those in "politically correct" industries (e.g. high tech electronics) who hope for special tax breaks for their industry, and of course all of those who seek government contracts which even includes some business trade associations.

One should not be surprised that the good folks at National Public Radio show a persistent bias toward more government spending and taxing, given their perceived self interest. It is taken as a matter of faith that new taxes are needed to reduce the deficit, despite overwhelming historical evidence that new taxes have served only to reduce economic growth and fuel additional spending, thus increasing the deficit. Those who argue for almost any tax increase to reduce the deficit are as about as sophisticated as those who argue that General Motors and IBM could eliminate their losses by increasing the price of their vehicles and computers.

Many in the media and the Washington political establishment accept language and actions from government officials that if used by a private businessperson would result in the harshest of criticism, if not indictment for fraud. Why is it acceptable for a tax increase, such as the one proposed on some Social Security recipients, to be labeled as a spending cut. If truth in labeling legislation applied to government, about half of the Clinton budget's "spending cuts" would be correctly called tax increases. (In fairness the practice of falsely labeling tax increases as "spending cuts" was also a practice of Dick Darman's, but in a less blatant manner).

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"Laffer Curve Effect." If the Clinton Administration was serious about encouraging greater economic growth rather than merely playing political games, they would not have proposed raising tax rates above the revenue maximizing rate for any given tax. (This is commonly known as the "Laffer curve effect," which is understood to be a truism by serious economists, but dismissed by left-wing ideologues who misstate it by claiming that it asserts that any tax cut will pay for itself, which of course it does not.) Recent work by a number of leading economists shows that the revenue maximizing rate for the income tax is probably no higher than 31 percent, so any proposal to raise it higher would need to be accompanied by very serious evidence that the higher rate will raise the revenue that is claimed. Until such evidence is presented, the proposal should be disregarded.

Second, any serious tax increase proposal should have a discussion of the extraction and compliance cost coupled with it. Every tax imposes a cost on whatever is being taxed and these costs normally reduce the level of the activity being taxed, whether it is labor, capital, or consumption, and these costs should be detailed and analyzed for their consequences. For instance, an excise tax on an item such as energy will reduce employment in the automobile related industries, reducing income and payroll taxes, and add to the "consumer price index" which in turn will increase federal government outlays for Social Security payments. In addition, there are costs incurred in collecting the tax by the government and there are the costs of private sector record keeping and compliance, which need to be detailed. Again, if any tax increase proposal does not contain a professional analysis of the above-mentioned costs, in order to obtain a real measure of the gain or loss from the proposed tax change, it ought to be disregarded.

Third any proposed tax increase, after taking into account the factors noted above, should be compared to the advantages of reducing spending versus the tax increase. The widespread belief that the deficit cannot be reduced without tax increases is nonsense. The federal tax system already provides tax revenue growth in excess of nominal GDP growth (i.e. inflation plus real GDP growth).

Given that federal spending is at a record high as a percent of GDP, it is foolish to argue that we cannot cut spending. Every major study of government spending has shown enormous amounts of waste in the way programs are managed. Very little analysis is done concerning the cost-effectiveness of most government programs. Many government transfer programs tax poorer citizens to provide subsidies to richer citizens. The privatization and asset sales options are routinely ignored for political reasons. The fact is, spending does not even have to be "cut" in the sense that businesses and households understand a spending "cut." If government growth is held to the increase in inflation the deficit would fall, because in most years the natural growth in government tax revenue greatly exceeds the increase rate of inflation. Thus, many government programs could be allowed to increase in real terms if others were in fact reduced or increased at a rate lower than the inflation rate (defense spending and agricultural subsidies could easily fall into this category).

In sum, the following questions need to be asked of, and satisfactorily answered by, the Administration and the Congress before any taxes are increased:

1. **Has all waste, fraud, and abuse been eliminated from current government spending programs?**
2. **Are all current and projected government spending programs cost-effective?**
3. **Have all income transfers from poorer to wealthier citizens been eliminated (such as the farm subsidies)?**

4. **Have all activities that could be better run by the private sector than the public sector been privatized?**
5. **Has the government sold all unnecessary assets than it owns (such as excess strategic metals stockpiles and land)?**
6. **Are all the proposed tax rate increases well below the revenue maximizing rate for the relevant tax?**
7. **If the proposed tax increase becomes law will all of the costs of collection, compliance, extraction, inflation, increased unemployment, and loss of income and international competitiveness, be significantly less than the revenue received?**

Members of Congress should insist that each and every one of the above questions be totally and honestly answered in the affirmative before considering any tax increase. To do less would be a dereliction of duty.

The President is right, we do have a deficit problem and it ought to be reduced. But the source of the problem is government spending, which has been growing much faster than national income. Tax increases will not and cannot cure a spending problem. Only when the President and the Congress face the reality of the spending problem will the resulting deficit problem be cured. The miracle of the spending cure is that if you take the medicine you will find you do not need to increase taxes, because our existing tax system already produces a yearly increase in tax revenue that exceeds the growth of national income.

Good economic policy depends on good theory and sound data, which are in turn dependent on honesty in the use of words. Let us urge those members of Congress and the press who argued that "lying to Congress" was an indictable offense during Iran-Contra to apply the same standard to economic policy misinformation as they do to foreign policy misinformation.

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The Heritage Foundation Backgrounder

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The Thomas A. Roe Institute for Economic Policy Studies

March 5, 1993

THE CLINTON CHALLENGE ANSWERED

INTRODUCTION

President Bill Clinton has issued a challenge to critics of his economic plan. He is asking those who believe that the package is weighted too heavily toward new taxes and too lightly toward reducing spending to put forward their own list of spending cut options. Put up, Clinton says in effect, or shut up.

Upon closer examination, however, the Clinton challenge rings hollow. Many of the "150 specific cuts" Clinton claims are in his own budget really are vague references to "streamlining" government, accounting gimmicks, and tax increases masquerading as spending cuts. Clinton himself failed to make the tough choices he now challenges others to make. And curiously, his plan omits dozens of sound spending cut recommendations previously promoted by his own advisors, Office of Management and Budget (OMB) Director Leon Panetta and Deputy Director Alice Rivlin, and others which have been on the shelf for years. Indeed, many of these ideas have been developed by Congress's own research arms, only to be ignored by lawmakers.

Heritage Foundation scholars have accepted Clinton's challenge and developed a list of 151 possible ways of cutting federal spending. The total value of the spending cuts presented here is some $609 billion over five years—fiscal 1994 through 1998. This list is composed entirely of non-defense spending, but excludes Social Security spending.

"Off-the-Shelf" Cuts. The Heritage list is drawn largely from "off-the-shelf" spending cuts already developed by the Congressional Budget Office (CBO) and the General Accounting Office (GAO), which are research arms of Congress, and by the Office of Management and Budget (OMB). In some cases, the list also draws from proposals previously put forward by Heritage scholars, as well as proposals by OMB Director Panetta (in a deficit reduction plan he developed while Chairman of the House Budget Committee). Others are taken from Bill Clinton's new economic package, *A Vision of Change for America*. The source of each recommendation is identified where possible.

The Heritage list includes many sound ideas for cutting federal spending that have been proposed for over a decade and have yet to receive a proper public hearing from Congress. For example, in February 1981, the Congressional Budget Office—then under the leadership of Alice M. Rivlin, currently Deputy OMB Director—published the first of its annual reports on spending cuts and revenue-raising options for reducing the deficit.[1] Many of the spending cut options suggested by CBO then are still valid today because Congress has ignored them.

Indeed, while still Chairman of the House Budget Committee, OMB Director Leon Panetta also put forward many of the same recommendations in a deficit reduction plan he proposed last year.[2] The spending cuts recommended by Rivlin and Panetta before they joined the Clinton team include:

- ✄ **Reduce funding on highways;**
- ✄ **Eliminate Essential Air Service subsidies;**
- ✄ **Cut Urban Mass Transit subsidies;**
- ✄ **Eliminate Rural Development loans;**
- ✄ **Eliminate farm deficiency payments;**
- ✄ **Reduce funding for Amtrak;**
- ✄ **Repeal the 1931 Davis-Bacon Act;**
- ✄ **Eliminate maritime industry subsidies;**
- ✄ **Eliminate the Market Promotion Program;**
- ✄ **Eliminate the Appalachian Regional Commission;**
- ✄ **Use block grant funding for AFDC and Medicare administrative costs; and**
- ✄ **End the Airport Grants-in-Aid program.**

Curiously, only a few of these programs are scheduled for reductions in the Clinton plan. For example, the $200 million per year Market Promotion Program and the $100 million Appalachian Regional Commission are not actually cut, but only frozen at fiscal 1993 levels. Others, incredibly, are scheduled for significant increases in funding. For instance, Amtrak, which will receive some $500 million in subsidies this year, will get $159 million more in the Clinton plan. And Urban Mass Transit subsidies, which now total some $1.5 billion annually, will be boosted by another $2 billion over the next five years by the Clinton plan.

1 Congressional Budget Office, *Reducing the Federal Budget: Strategies and Examples, Fiscal Years 1982 - 1986*, February 1981.

2 Leon E. Panetta, *Balanced Budget Amendment Options*, Committee on the Budget, U.S. House of Representatives, May 26, 1992.

Congress also has paid little attention to the recommendations of GAO, the government's own auditing agency. The GAO was established by the Budget and Accounting Act of 1921 to perform accurate audits and evaluations of federal programs. Yet when GAO in 1979 recommended the repeal of the Davis-Bacon wage-setting law, on the grounds that the law raises the cost of federal construction projects and makes it more difficult for blacks and other minorities to get jobs in the construction industry, Congress refused to take action. Some Members of Congress savagely attacked GAO for even daring to raise the issue.

Perhaps Congress's most significant case of turning a blind eye was its reaction to the November 1989 release of GAO's fourth annual report on the Federal Manager's Financial Integrity Act of 1982. This act was intended to control waste in Federal Financial Management Systems. GAO found over $150 billion in program waste, fraud, and financial mismanagement. Commenting on this staggering sum, GAO Comptroller General Charles A. Bowsher declared on November 29, 1989, before the Senate Governmental Affairs Committee: "The problems that exist are not limited to a few agencies or a few programs; rather, all of the major agencies have serious problems."[3]

Congress has yet to make any substantive moves to correct these problems. As a result, tens of billions of taxpayer dollars continue to be wasted throughout the federal bureaucracy.

Among the other GAO recommendations so far ignored by Congress:

- ✗ **Elimination of honey, wool, and mohair subsidies;**
- ✗ **Repeal of the Service Contract wage-setting law;**
- ✗ **Correcting massive loan defaults in the Farmers Home Administration (FmHA); and**
- ✗ **Privatizing the Government Printing Office.**

Despite its reputation for draconian cuts, even the Reagan Administration could not convince Congress to eliminate wasteful programs. According to a Congressional Research Service report, 94 programs were recommended for termination during the Reagan Administration. Of these (many of which appeared repeatedly in the eight Reagan budgets), Congress eliminated only twelve. And all but one of these, Urban Development Action Grants (UDAGs) were terminated in Reagan's first term. Another terminated program, the Comprehensive Education and Training Act (CETA), subsequently was replaced by the far more expensive Job Training Partnership Act (JTPA).

3 Judith Havemann, "OMB's 'High Risk List' Details Vulnerable Programs," *The Washington Post*, December 6, 1989. See also: the General Accounting Office, *Financial Integrity Act: Inadequate Controls Result in Ineffective Federal Programs and Billion in Losses* (GAO/AFMD-90-10), November 29, 1989.

TWO TIERS OF CUTS

The Heritage list is divided into two tiers of spending cuts: "low-option" cuts and "high-option" cuts.

Low-Option Cuts. This level of spending cuts poses the lower level of political pain of the two options. The total value of the cuts in this list is $355 billion. Adding interest savings of $54 billion brings the total savings to $409 billion over five years.

High-Option Cuts. This level of spending cuts would be more politically difficult, for two reasons. First, the cuts include reductions in Medicare benefits, as the result of an increase in coinsurance contributions and deductibles. Second, a few of the cuts do challenge the current budget rules and congressional prohibitions preventing the "profits" from government asset sales being used for deficit reduction or for tax relief. Heritage experts believe these rules are fiscally irresponsible and should be eliminated.

These options taken alone would save nearly $175 billion over five years. When these cuts are added to the first-tier savings, the total of the entire list rises to $609 billion over five years.

The Heritage spending cut list focuses solely on non-defense programs. There are two principal reasons for excluding defense cuts from this list. First, non-defense spending, in particular domestic spending, is projected to grow at nearly twice the rate of inflation over the next five years. It is this high growth rate that is the root cause of the government's current deficit spending problem. Unless this trend is changed, it will be impossible to gain effective control over total federal spending. Yet, the Clinton plan actually proposes to pump an additional $171 billion into domestic spending during the next five years.[4]

Second, defense spending has not been a cause of the current deficit problem. The defense budget has fallen in inflation-adjusted terms over the past four years, a trend which has had a moderating effect on the deficit. The defense budget will continue to fall over the next five years, due to Bush Administration policies, and may fall even further under Clinton's proposal to trim an additional $112 billion beyond the Bush levels. Heritage scholars believe, however, that America's security is the first obligation of the federal government. Thus defense cuts should be considered in the context of world events, and the threat to America's interests, and not in the context of meeting deficit reduction goals.

4 Steve Robinson, "Clinton's Phoney Spending Cuts," Republican Study Committee, U.S. House of Representatives, March 3, 1993

CONCLUSION

Bill Clinton has issued a phoney challenge to critics of his economic plan. Despite his claim that he made tough choices on cutting federal spending, his plan conspicuously omits dozens of sound proposals developed by congressional research staff and Clinton's own advisors.

In the spirit of answering Clinton's challenge, Heritage scholars have compiled the list of 151 spending cuts found in the Appendix. These cuts are drawn largely from the sources Clinton ignored. The cuts provide a solid foundation for a much more comprehensive investigation of ways to reduce the cost of government.

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APPENDIX

The spending cuts that follow were derived from the following sources:

Scott A. Hodge, ed., *A Prosperity Plan for America: How to Strengthen Family Finances, Revive the Economy and Balance the Budget* (Washington, D.C.: The Heritage Foundation, 1992).

Office of Management and Budget, *A Vision of Change for America* (Washington, D.C.: U.S. Government Printing Office, February 17, 1993).

Congressional Budget Office, *Reducing the Deficit: Spending and Revenue Options*, A Report to the Senate and House Committees on the Budget (Washington, D.C.: U.S. Government Printing Office, February 1993).

U.S. General Accounting Office, *Budget Deficit: Appendixes on Outlook, Implications, and Choices* (GAO/OCG-90-5A) (Washington, D.C.: U.S. Government Printing Office, September 1990).

Leon E. Panetta, *Balanced Budget Amendment Options*, Committee on the Budget, U.S. House of Representatives, May 26, 1992.

Scott A. Hodge, "Real Deficit Reduction Demands Real Spending Cuts," Heritage Foundation *Backgrounder* No. 913, August 28, 1992.

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
		(Savings in $ Millions)					
	Non-Defense Discretionary						
150	Reduce State Department Funding & Eliminate Redundant Activities (CBO)	$150.0	$230.0	$310.0	$390.0	$470.0	$1,550.0
150	Reduce Development Assistance in AID (CBO)	$40.0	$290.0	$430.0	$500.0	$560.0	$1,820.0
150	Eliminate P.L. 480 Title I Sales & Title III Grants (CBO)	$500.0	$680.0	$700.0	$720.0	$740.0	$3,340.0
150	Reduce Export-Import Bank's Credit Assistance (CBO)	$30.0	$140.0	$200.0	$250.0	$280.0	$900.0
150	Eliminate Overseas Broadcasting and Reduce Exchange Programs (CBO)	($70.0)	$310.0	$660.0	$750.0	$750.0	$2,400.0
250	Cancel the Advanced Rocket Motor (CBO)	$170.0	$320.0	$360.0	$380.0	$400.0	$1,630.0
250	Cancel the Space Station (CBO)	$1,400.0	$2,100.0	$2,250.0	$2,300.0	$2,350.0	$10,400.0
250	Cancel New Spacecraft Development (CBO)	$140.0	$250.0	$270.0	$280.0	$290.0	$1,230.0
250	Cancel the Superconducting Super Collider (CBO)	$210.0	$430.0	$540.0	$560.0	$570.0	$2,310.0
270	Eliminate Further Clean Coal Research (CBO)	$5.0	$10.0	$50.0	$70.0	$160.0	$295.0
270	Reduce Energy R&D Funding (CBO)	$100.0	$270.0	$480.0	$780.0	$940.0	$2,570.0
270	Halt New Strategic Petroleum Reserve Funding (CBO)	$230.0	$270.0	$270.0	$140.0	$140.0	$1,050.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
270	Reduce Rural Electric Subsidies (CBO)	$45.0	$95.0	$140.0	$180.0	$200.0	$660.0
300	Eliminate Below-cost Timber Sales (CBO)	$15.0	$35.0	$45.0	$60.0	$75.0	$230.0
300	Eliminate Wastewater Treatment Grants (CBO)	$110.0	$570.0	$1,350.0	$1,950.0	$2,250.0	$6,230.0
300	Contain Superfund Costs Through Land-use Methods (CBO)	$95.0	$210.0	$320.0	$290.0	$310.0	$1,225.0
300	Improve Private Financing of Superfund (CBO)	$95.0	$190.0	$310.0	$250.0	$260.0	$1,105.0
300	Place 5-year Moratorium on New Federal Land Purchases (Heritage)	$330.0	$340.0	$345.0	$356.0	$364.0	$1,735.0
300	Phase Out Conservation Reserve Farm Subsidy Program (Heritage)	$365.0	$738.0	$1,136.0	$1,568.0	$1,905.0	$5,712.0
300	Merge 60 Environmental Programs & Block Grant Funds to States (GAO)	$200.0	$400.0	$1,000.0	$1,900.0	$2,500.0	$6,000.0
300	Eliminate NCZM, Sea College Grants (Heritage/GAO)	$50.0	$50.0	$50.0	$50.0	$50.0	$250.0
300	Privatize NOAA Fleet (Panetta)	$50.0	$50.0	$50.0	$50.0	$50.0	$250.0
300	Terminate NOAA Demonstration Projects (Clinton)	$30.0	$55.0	$65.0	$70.0	$73.0	$293.0
300	Reduce Corps of Engineers Low Priority Water Projects (Clinton)	$85.0	$70.0	$30.0	$50.0	$15.0	$250.0
300	Eliminate Low Priority Interior Water Projects (Clinton)	$18.0	$40.0	$63.0	$42.0	$23.0	$186.0
300	Close or Privatize Federal Helium Reserves (Heritage)	$128.0	$133.0	$138.0	$143.0	$150.0	$692.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
350	Streamline USDA Field Offices (CBO)	$20.0	$70.0	$130.0	$140.0	$140.0	$500.0
350	Reform Foreign Agriculture Service (CBO)	$10.0	$15.0	$15.0	$15.0	$15.0	$70.0
350	Reduce Farm Ownership & Operations Loans (CBO)	$100.0	$100.0	$100.0	$100.0	$110.0	$510.0
350	Reduce Agriculture Research & Extension Service Funding (CBO)	$110.0	$150.0	$160.0	$160.0	$170.0	$750.0
370	Eliminate Trade Promotion Activities & Travel/Tourism Activities (CBO)	$120.0	$160.0	$180.0	$180.0	$190.0	$830.0
370	End SBA Earmarked Grants (Clinton)	$44.0	$71.0	$90.0	$110.0	$116.0	$431.0
370	Eliminate SBA Business Loans (Except for Minority & Disaster) (CBO)	$210.0	$310.0	$350.0	$350.0	$360.0	$1,580.0
370	Reduce Export Administration by 25% (CBO)	$11.0	$11.0	$11.0	$11.0	$11.0	$55.0
370	Increase Borrower's Share to 30% on Rural Homeownership Loans (CBO)	$1,750.0	$270.0	$280.0	$280.0	$280.0	$2,860.0
370	Stop Expansion of Rural Rental Housing Program (CBO)	$40.0	$260.0	$330.0	$370.0	$400.0	$1,400.0
400	Eliminate Highway Demonstration Projects (CBO)	$180.0	$760.0	$1,000.0	$1,150.0	$1,210.0	$4,300.0
400	Cut Earmarked Highway Demonstrations (Panetta)	$111.0	$384.0	$480.0	$524.0	$558.0	$2,057.0
400	Eliminate Airport Grants-in-Aid (CBO)	$330.0	$1,100.0	$1,550.0	$1,750.0	$1,920.0	$6,650.0
400	Abolish the Interstate Commerce Commission (CBO)	$25.0	$30.0	$30.0	$30.0	$30.0	$145.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
400	Eliminate Essential Air Service Subsidies (Panetta)	$39.0	$39.0	$39.0	$39.0	$39.0	$195.0
400	Reduce Urban Mass Transit Subsidies (CBO)	$530.0	$950.0	$1,300.0	$1,600.0	$1,870.0	$6,250.0
400	Eliminate Amtrak Subsidies (Panetta)	$450.0	$500.0	$525.0	$550.0	$595.0	$2,620.0
450	Eliminate TVA Non-power Programs (CBO)	$35.0	$110.0	$130.0	$150.0	$150.0	$575.0
450	Restrict Eligibility for Community Development Block Grants (CBO)	$25.0	$260.0	$500.0	$590.0	$600.0	$1,975.0
450	Eliminate the Economic Development Administration (CBO)	$50.0	$120.0	$190.0	$245.0	$265.0	$870.0
450	Eliminate the Appalachian Regional Commission (CBO)	$10.0	$60.0	$120.0	$160.0	$180.0	$530.0
450	Eliminate Rural Development Loans & Grants (CBO)	$20.0	$125.0	$280.0	$425.0	$530.0	$1,380.0
500	Eliminate Campus-based Aid & Direct Half to Pell Grants (CBO)	$0.0	$680.0	$720.0	$740.0	$760.0	$2,900.0
500	Eliminate Untargeted Portion of Math & Science Funding (CBO)	$35.0	$230.0	$280.0	$300.0	$300.0	$1,145.0
500	Eliminate State Student Incentive Grants (CBO)	$5.0	$75.0	$75.0	$80.0	$80.0	$315.0
500	Eliminate All But Half of Impact Aid for "a" Children (CBO)	$380.0	$470.0	$480.0	$470.0	$450.0	$2,250.0
500	Eliminate Consumer/ Homemaking Grants (CBO)	$5.0	$30.0	$35.0	$35.0	$40.0	$145.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
500	Eliminate Law-related Education Grants (CBO)	$0.0	$5.0	$5.0	$5.0	$5.0	$20.0
500	Eliminate Community-based Vocation Grants (CBO)	$0.0	$10.0	$10.0	$15.0	$15.0	$50.0
500	Eliminate Law School Clinical Experience Grants (CBO)	$0.0	$10.0	$10.0	$10.0	$10.0	$40.0
500	Eliminate Follow-Through (CBO)	$0.0	$5.0	$10.0	$10.0	$10.0	$35.0
500	Reduce by 50% funding for the National Endowments for the Arts and Humanities (CBO)	$380.0	$500.0	$540.0	$570.0	$590.0	$2,580.0
500	Consolidate Social Service Programs & Lower Funding 5% (CBO)	$0.0	$200.0	$260.0	$270.0	$280.0	$1,010.0
550	Reduce Funding for the National Institutes of Health by 10% (CBO)	$460.0	$1,000.0	$1,100.0	$1,150.0	$1,150.0	$4,860.0
550	Eliminate Most Heath Training Subsidies (Panetta)	$121.0	$187.0	$219.0	$226.0	$234.0	$987.0
600	Eliminate Special HUD Grants (Panetta/Clinton)	$5.0	$73.0	$209.0	$278.0	$288.0	$853.0
600	Freeze Rental Assistance Commitments at Current Levels (CBO)	$40.0	$470.0	$1,100.0	$1,700.0	$2,450.0	$5,760.0
600	Use IRS Income Data to Lower Excess Rent Subsidies (CBO)	($5.0)	$20.0	$320.0	$630.0	$680.0	$1,645.0
600	Modify Fees for Local Housing Agencies (CBO)	$190.0	$210.0	$230.0	$260.0	$280.0	$1,170.0
600	Reduce HUD Utility Payments (Heritage)	$25.0	$25.0	$30.0	$30.0	$35.0	$145.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
600	Shift Housing Assistance from New Construction to Vouchers (CBO)	$0.0	($35.0)	$90.0	$285.0	$640.0	$980.0
600	Scale Back Low-Income Home Energy Assistance (CBO)	$780.0	$1,150.0	$1,050.0	$1,050.0	$1,120.0	$5,150.0
700	Cut New VA Construction & Use Existing Facilities (CBO)	$0.0	$10.0	$20.0	$30.0	$40.0	$100.0
700	Improve Management of VA Hospitals (CBO)	$0.0	$190.0	$430.0	$690.0	$960.0	$2,270.0
700	Close or Convert Outmoded VA Hospitals (CBO)	$65.0	$150.0	$230.0	$320.0	$340.0	$1,105.0
750	End Funding for Legal Services Corporation (CBO)	$320.0	$380.0	$390.0	$390.0	$420.0	$1,900.0
800	Cut Congressional Budget Overall by 25% (Heritage)	$540.0	$630.0	$687.0	$767.0	$850.0	$3,474.0
920	Improve Measurement of the Consumer Price Index to Adjust for Improvements in Product & Service Quality (Heritage)	$1,510.0	$3,470.0	$5,830.0	$8,520.0	$11,630.0	$30,960.0
920	Terminate Most Commissions (Panetta)	$142.0	$241.0	$251.0	$261.0	$272.0	$1,167.0
920	Cut Federal Travel Costs by 1% during FY '94-98 (Panetta)	$6.0	$18.0	$30.0	$42.0	$56.0	$152.0
920	Cut Civilian Agency Overhead Costs 1% FY '94-98 (Panetta)	$354.0	$966.0	$1,618.0	$2,310.0	$3,055.0	$8,303.0
920	No Federal Pay Raise CY1994, ECI-Based Raise Minus 1% CY '95-97, (Clinton)	$1,361.0	$1,963.0	$2,281.0	$2,741.0	$2,965.0	$11,311.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
920	Cut 100,000 Federal Employees (Clinton)	$932.0	$2,180.0	$2,306.0	$2,509.0	$2,591.0	$10,518.0
920	Reduce Overhead Rate on University R & D Grants (Clinton/CBO)	$156.0	$330.0	$369.0	$383.0	$396.0	$1,634.0
920	Reform Blue Collar Pay (Heritage)	$500.0	$600.0	$700.0	$800.0	$1,000.0	$3,600.0
920	Disallow Pension Interest from Federal Grants to Local Governments (Insp. General)	$820.0	$1,025.0	$1,280.0	$1,600.0	$2,000.0	$6,725.0
920	Modify Service Contract Act (CBO)	$160.0	$180.0	$180.0	$190.0	$190.0	$900.0
920	Repeal Davis-Bacon Act (CBO)	$312.0	$882.0	$1,218.0	$1,394.0	$1,523.0	$5,329.0
		$17,690.0	$31,011.0	$41,645.0	$51,459.0	$60,519.0	$202,324.0

Mandatory Programs

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
270	Power Marketing Administration Debt Repayment Reform (CBO)	$0.0	$260.0	$250.0	$240.0	$220.0	$970.0
300	Eliminate Subsidies for Federal Water (CBO)	$15.0	$15.0	$15.0	$15.0	$15.0	$75.0
300	Charge Royalties & Holding Fees for Hardrock Mining Claims (CBO)	$50.0	$130.0	$130.0	$130.0	$130.0	$570.0
300	Raise Recreation Fees at Federal Facilities (CBO)	$160.0	$170.0	$180.0	$190.0	$190.0	$890.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
300	Change Royalty Payments to States to Net from Gross Receipts (CBO)	$130.0	$170.0	$180.0	$190.0	$200.0	$870.0
350	Eliminate Wool and Mohair Programs (CBO)	$0.0	$190.0	$190.0	$190.0	$190.0	$760.0
350	Eliminate Honey Program (CBO)	$30.0	$15.0	$5.0	$5.0	$5.0	$60.0
350	Eliminate Market Promotion Program (Heritage)	$100.0	$200.0	$200.0	$200.0	$200.0	$900.0
350	Lower Agriculture Target Prices 3% per year (CBO)	$400.0	$1,300.0	$2,250.0	$3,200.0	$4,050.0	$11,200.0
350	Reform Dairy Subsidy Program (CBO)	$130.0	$200.0	$240.0	$250.0	$240.0	$1,060.0
350	Require Repayment of Commodity Loans in Marketing Loan Program (CBO)	$0.0	$170.0	$50.0	$50.0	$50.0	$320.0
350	Replace Crop Insurance with Disaster Assistance (CBO)	$230.0	$510.0	$530.0	$560.0	$580.0	$2,410.0
350	Reduce Export Credit Program Loan Guarantees & Eliminate Loans for High-Risk Borrowers (CBO)	($520.0)	$590.0	$510.0	$510.0	$510.0	$1,600.0
350	Eliminate the Export Enhancement Program (CBO)	$320.0	$790.0	$690.0	$680.0	$640.0	$3,120.0
370	Improve FHA Title I Debt Collection (Panetta)	$20.0	$20.0	$20.0	$20.0	$20.0	$100.0
370	Tighten FmHA Loan Standards (Panetta)	$40.0	$40.0	$40.0	$40.0	$40.0	$200.0
370	Enact FHA Management Reforms (Panetta/Heritage)	$200.0	$200.0	$200.0	$200.0	$200.0	$1,000.0
300	Raise Inland Waterway User Fees (CBO)	$280.0	$440.0	$470.0	$480.0	$490.0	$2,160.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
400	Eliminate Maritime Operating Subsidies (Panetta)	$245.0	$239.0	$238.0	$226.0	$194.0	$1,142.0
400	Eliminate Freight Subsidies (Panetta)	$39.0	$39.0	$40.0	$41.0	$43.0	$202.0
400	Establish User Fees for Air Traffic Control Services (CBO)	$680.0	$1,400.0	$1,500.0	$1,550.0	$1,600.0	$6,730.0
400	Enact User Fees for Airport Landing Slots (CBO)	$300.0	$300.0	$300.0	$300.0	$300.0	$1,500.0
400	Raise Coast Guard Fees to Cover 100% of Costs (Panetta)	$700.0	$700.0	$750.0	$750.0	$800.0	$3,700.0
500	Limit Foster Care Administrative Cost Growth to 10% Per Year (CBO)	$30.0	$60.0	$80.0	$100.0	$110.0	$380.0
500	Reduce Lenders' Yields on Student Loans (CBO)	$220.0	$330.0	$330.0	$320.0	$320.0	$1,520.0
500	Require Institutions to Share Default Risk on Stafford Loans (CBO)	$30.0	$50.0	$50.0	$50.0	$50.0	$230.0
500	Require Students to Pay In-School Interest on Loans (CBO)	$1,300.0	$1,950.0	$2,050.0	$2,100.0	$2,150.0	$9,550.0
550	Increase Medicaid Estate-Recovery for Long-Term Care (CBO)	$100.0	$200.0	$350.0	$500.0	$600.0	$1,750.0
550	Reduce Match on Medicaid/AFDC/Food Stamp Administrative Costs to 50% (CBO)	$390.0	$450.0	$510.0	$560.0	$620.0	$2,530.0
570	Reduce Growth Rate of Disproportionate Share Payments to Hospitals (CBO)	$0.0	$160.0	$560.0	$2,250.0	$1,900.0	$4,870.0
570	Lower Indirect Payments to Teaching Hospitals -6% (CBO)	$580.0	$720.0	$780.0	$840.0	$970.0	$3,890.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
570	Eliminate Return-on-Equity for Proprietary Skilled Nursing Facilities (CBO)	$90.0	$100.0	$110.0	$120.0	$130.0	$550.0
570	Reduce Direct Payments to Teaching Hospitals (CBO)	$180.0	$190.0	$200.0	$200.0	$210.0	$980.0
570	Gradually Eliminate the Disproportionate Share Adjustment (CBO)	$470.0	$1,100.0	$1,800.0	$2,600.0	$3,500.0	$9,470.0
570	Continue Transition to Prospective Rates for Outpatient Departments (CBO)	$240.0	$790.0	$1,100.0	$1,300.0	$1,500.0	$4,930.0
570	Reimpose 20% Coinsurance on Clinical Laboratory Services (CBO)	$770.0	$1,350.0	$1,600.0	$1,900.0	$2,240.0	$7,860.0
570	Charge a Fee for SMI Claims not Billed Electronically (CBO)	$150.0	$120.0	$90.0	$90.0	$100.0	$550.0
570	Increase Payment Safeguards (Panetta)	$1,100.0	$1,120.0	$1,140.0	$1,160.0	$1,200.0	$5,720.0
570	Extend Expiring Provisions for Medicare as Secondary Provider (CBO)	$0.0	$0.0	$960.0	$1,400.0	$1,540.0	$3,900.0
600	Increase Employee Contribution for CSRS (CBO)	$423.0	$957.0	$1,068.0	$1,043.0	$10.2	$3,501.2
600	Impose Two-Week Wait to Collect Unemployment Insurance (CBO/Heritage)	$0.0	$1,000.0	$1,000.0	$1,200.0	$1,400.0	$4,600.0
600	Extend Ban on Lump-Sum Benefit for Civil Service Retirement (Clinton)	$0.0	$0.0	$1,145.0	$3,870.0	$6,560.0	$11,575.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
600	Use Last 4 Years to Compute Civil Service & Military Pensions (CBO)	$50.0	$120.0	$200.0	$290.0	$400.0	$1,060.0
600	Restrict Agency Match for Civil Service Thrift Plan to 50% (CBO)	$370.0	$440.0	$500.0	$570.0	$640.0	$2,520.0
600	Section 8 Housing Reforms (Heritage)	$610.0	$765.0	$930.0	$1,320.0	$1,710.0	$5,335.0
600	Replace New Elderly Construction with Vouchers (CBO/Heritage)	$0.0	($60.0)	$5.0	$70.0	$260.0	$275.0
600	End HUD Utility Payments (Heritage)	$25.0	$25.0	$30.0	$30.0	$35.0	$145.0
600	Reform HUD Comprehensive Improvement Assistance Program (CIAP) (Heritage)	$300.0	$350.0	$400.0	$450.0	$500.0	$2,000.0
600	Include Food Stamp Value in Computing Income for Public Housing Benefits (Heritage)	$1,080.0	$1,180.0	$1,240.0	$1,300.0	$1,350.0	$6,150.0
600	Re-Target Child Nutrition Programs to Below 185% of Poverty Level (CBO)	$210.0	$550.0	$670.0	$720.0	$760.0	$2,910.0
600	Require Workfare for Food Stamp Recipients (Heritage)	$50.0	$75.0	$125.0	$150.0	$200.0	$600.0
600	Limit AFDC Housing Allowance for Public Housing Residents (Heritage)	$500.0	$500.0	$500.0	$700.0	$800.0	$3,000.0
600	Require States to Reimburse for Food Stamp Errors (CBO)	$0.0	$0.0	$0.0	$20.0	$110.0	$130.0
600	Eliminate Trade Adjustment Assistance (CBO)	$130.0	$180.0	$180.0	$180.0	$170.0	$840.0
700	Raise VA Housing Loan fees to 3% (CBO)	$320.0	$260.0	$270.0	$280.0	$280.0	$1,410.0

LOW-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
700	Increase Third Party Payer Reimbursement for VA Medical (CBO)	$30.0	$210.0	$240.0	$250.0	$270.0	$1,000.0
700	Verify Income Reported for Pension Purposes (CBO)	$0.0	$0.0	$0.0	$0.0	$140.0	$140.0
700	Increase VA Housing Downpayment (Panetta)	$39.0	$34.0	$35.0	$35.0	$35.0	$178.0
700	Reduce Resale Losses on VA Loans (Panetta)	$406.0	$87.0	$88.0	$89.0	$90.0	$760.0
950	Auction the Electromagnetic Spectrum (Clinton)	$0.0	$374.0	$1,623.0	$2,083.0	$340.0	$4,420.0
	Total Mandatory Programs	$13,742.0	$23,825.0	$30,937.0	$40,157.0	$44,107.2	$152,768.2
	Sub-Total: Discretionary & Mandatory Savings	$31,432.0	$54,836.0	$72,582.0	$91,616.0	$104,626.2	$355,092.2
	Plus Interest Savings	$1,006.9	$4,049.5	$9,006.7	$15,734.6	$24,026.6	$53,824.3
	Total Low-Option Savings	$32,438.9	$58,885.5	$81,588.7	$107,350.6	$128,652.7	$408,916.5

HIGH-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
	High-Option Discretionary Cuts (Net Additional Savings)						
150	Reduce by 50% the Economic Support Fund (ESF) (Heritage)	$345.0	$687.0	$1,045.0	$1,445.0	$1,850.0	$5,372.0
370	End SBA Credit Programs (CBO)	$180.0	$270.0	$270.0	$290.0	$300.0	$1,310.0
450	Eliminate Community Development Block Grants (CBO)	$135.0	$1,590.0	$3,100.0	$3,660.0	$3,750.0	$12,235.0
500	Phase Out Corporation for Public Broadcasting (Heritage/CBO)	$64.0	$110.0	$170.0	$235.0	$304.0	$883.0
500	Merge 12 Education/Training Programs & Reduce Funding (Heritage/GAO)	$480.0	$980.0	$1,520.0	$2,090.0	$2,695.0	$7,765.0
500	Eliminate All Impact Aid (CBO)	$240.0	$300.0	$330.0	$360.0	$410.0	$1,640.0
500	Phase Out Funding for National Endowments for Arts & Humanities (CBO)	$760.0	$1,000.0	$1,100.0	$1,150.0	$1,200.0	$5,210.0
500	Consolidate Social Service Programs & Lower Funding 25% (CBO)	$0.0	$850.0	$1,040.0	$1,080.0	$1,070.0	$4,040.0
600	Eliminate Low-Income Home Energy Assistance (LIHEAP) (CBO)	$770.0	$1,150.0	$1,050.0	$1,100.0	$1,100.0	$5,170.0
	Total Added Discretionary	$2,629.0	$6,250.0	$8,580.0	$9,965.0	$10,829.0	$38,253.0

20

HIGH-OPTION SPENDING CUTS

Function	PROGRAM CHANGE	1994	1995	1996	1997	1998	Five-Year Total
	High-Option Mandatory Cuts (Net Additional Savings)						
350	Reduce Costs for Dairy Price Support Program by Requiring Producer Contributions (CBO)	$130.0	$250.0	$260.0	$280.0	$300.0	$1,220.0
550	Roll Back Recent Mandated Medicaid Expansions & Make Optional for States (Heritage)	$4,620.0	$4,740.0	$4,870.0	$5,000.0	$5,140.0	$24,370.0
570	Immediately Eliminate Disproportionate Share Adjustment in Prospective System (CBO)	$1,880.0	$1,800.0	$1,350.0	$750.0	$100.0	$5,880.0
570	Lower Indirect Payments to Teaching Hospitals to 3% (CBO)	$1,070.0	$1,280.0	$1,420.0	$1,510.0	$1,780.0	$7,060.0
570	Increase & Index Medicare's Deductible for Physician's Services (CBO)	$710.0	$1,410.0	$1,880.0	$2,360.0	$2,910.0	$9,270.0
570	Collect 20% Coinsurance on All Home Health & Skilled Nursing Services (CBO)	$2,300.0	$3,860.0	$4,520.0	$5,010.0	$5,450.0	$21,140.0
950	Auction Broader Portion of Electromagnetic Spectrum (Personal Communications Services) (Heritage)	$0.0	$0.0	$2,400.0	$3,300.0	$10,000.0	$15,700.0
950	Sell Off Increasing Amounts of Government's $205 Billion Direct Loan Portfolio (Heritage)	$2,000.0	$5,000.0	$10,000.0	$15,000.0	$20,000.0	$52,000.0
	Total High-Option Mandatory Savings	$12,710.0	$18,340.0	$26,700.0	$33,210.0	$45,680.0	$136,640.0

THE WHITE HOUSE

WASHINGTON

Ms. Donna Bojarsky
Dreyfuss/James Productions
c/o Warner Hollywood
1041 N. Formosa Avenue
Santa Monica Building, #104
West Hollywood, California 90046

Dear Donna,

Thanks for your note. I am sorry I haven't responded sooner, but my schedule has not been in my control lately.

I regret that I missed you during your last visit to D.C. Let's chat sometime soon -- we have a lot of old war stories to share.

I hope you are well and happy.

Sincerely yours,

Maggie Williams

Saved as: ~~a: mag. letters~~ mag. ltrs.

mag. ltrs

TO: MAGGIE

FROM: DIANE

MEMO

Date March 16, 1993

The attached is for your:

Information ____

Advice X

Action ____

Signature ____

Comments:

Sched. request -- Should I give to Patti?

Dreyfuss/James Productions

c/o Warner Hollywood
1041 N. Formosa Avenue
Santa Monica Building, #104
West Hollywood, California 90046
213/850-3140; fax: 213/850-3141

To:..................................Maggie Williams

From..Donna Bojarsky

Date/Time..................................10:30:58 AM -- Friday, March 12, 1993

Fax Number..202-456-6244

Pages (including cover)...2

March 12, 1993

TO: Maggie Williams

FROM: Donna Bojarsky

RE: Richard Dreyfuss / L.A. WORKS event

Hi...how are you? Sorry I only got to wave to you during my last D.C. trip. I hear there's interest from HRC about our huge April 24th community service day in Los Angeles (we got a call from scheduling - a letter about the event went to Hillary through Wayne and Francis Cranford). Just so you know Richard - who is the day's Honorary Chairperson - sent a note to the President inviting him and/or HRC, etc. to the event...we also notified the Office of National Service.

Anyway, it would be marvelous if she could make it - feel free to contact me with any questions - and I hope next time I'm around we'll be able to exchange a word or two.

Hang in there.

Best,

Donna

Donna Bojarsky

enclosures

L.A. WORKS

...to make L.A. work

THE WORKS

On Saturday April 24, 1993, Los Angeles will witness the power of ***The Works*** - a project of L.A. WORKS. The energy from people taking action and making a difference in the communities that make up our diverse city. The strength of united spirits sharing a unified purpose. The power of making L.A. work.

As we approach the one year observance of the May 1992 civil unrest, ***The Works*** will engage over one thousand volunteers in direct action projects in communities across L.A. Whether planting trees, painting schools, or providing food to the homeless, ***The Works*** will bring together businesses, government, non-profit groups and citizens in the spirit of cooperation to make a lasting difference in Los Angeles.

In addition to providing thousands of hours of volunteer service to the community, ***The Works*** will also raise funds for L.A. WORKS, a non-profit public action center that creates direct-service volunteer projects throughout the year addressing vital community needs. L.A. WORKS' first project in April 1991 involved 12 volunteer Board members painting a teen support center in Watts. Since then, L.A. WORKS has organized nearly 100 monthly projects and four major Group Action Projects involving between 150 - 450 volunteers at each project, mobilized 1300 volunteers, formed partnerships with 50 other community service organizations, and worked over 6000 hours. Through ***The Works***, volunteers, their sponsors and corporate contributors will ensure that L.A. WORKS will be able to carry on this work all year round.

On April 24, 1993 L.A. WORKS will organize and coordinate this large-scale volunteer effort across the city. Thousands of volunteers will gather at a central site in the morning, be assigned to one of 50 projects coordinated by L.A. WORKS, and then spread across L.A. to paint classrooms, clean parks, plant trees, renovate low-income housing, and landscape at homeless shelters. Like a walk-a-thon, volunteers will collect pledges for their hours of community service. In addition, committed corporations will also lend financial support. At the end of the day, volunteers will meet again for a unity celebration and a review of our accomplishments.

The Works 1993 is L.A. WORKS' first annual "work-a-thon". Important direct community service will be performed, funds vital to continuing this work year-round will be raised, and community consciousness will be elevated. Many volunteers during ***The Works*** will volunteer for the first time. Many will become volunteers in our community year-round. Everyone involved with ***The Works*** - volunteers, sponsors, and the Los Angeles community at large - will experience, by working together concretely and effectively, the power of our commitment to the city of Los Angeles.

424 N. LARCHMONT BLVD. LOS ANGELES, CA 90004 (213)465-4097

THE WHITE HOUSE

WASHINGTON

Ms. Stephanie Lloyd
c/o Mr. Jeffrey S. Lloyd
Vice President, Marketing
The Pilgrim Group
10100 Santa Monica Boulevard
21st Floor
Los Angeles, California 90067-4112

Dear Stephanie:

Your father was kind enough to send me a copy of the *University High School Warrior.* Thank you so much for your editorial support.

I wish you much success in your future endeavors.

Sincerely,

Hillary Rodham Clinton

THE PILGRIM GROUP®

Diane
Have
Kelly
Carter auto pen

March 15, 1993

Ms. Maggie Williams
Chief of Staff
Office of the First Lady
The White House
Washington, D.C. 20500

Dear Ms. Williams:

I thought that Mrs. Clinton might be interested in the enclosed editorial from the University High School Warrior.

My daughter, Stephanie, is a staff writer on the paper and submitted the initial draft for the editorial.

Sincerely,

Jeffrey S. Lloyd
Vice President, Marketing

Dear Stephanie – Your father was kind enough to send me a copy of the University High School Warrior. Thank you so much for your editorial support ~~in these days~~. I wish you much success in your future endeavors –

HRC –

10100 SANTA MONICA BOULEVARD, 21ST FLOOR, LOS ANGELES, CALIFORNIA 90067-4112 (310) 551-0833 FAX (310) 551-3001 (800) 336-3436

OPINION

STAFF EDITORIAL –

First Lady Attacks Nation's Ills Head-On

The Clintons' actions speak more eloquently about family values than all of the pretentious preaching that came out of the previous presidential administrations.

Hillary Rodham Clinton is taking responsibility of the crucial health care reform problem.

There is a popular joke going around Washington that Hillary drives into a gas station where she meets with a former boyfriend from high school who is pumping gas.

They recognize each other and he says to her, "It's a good thing you married Bill instead of me, or else you wouldn't be in the White House."

Hillary replies, "No, if I married you, then you would be in the White House, and Bill would be here pumping gas."

But Hillary Rodham Clinton is no joke.

In a little over a month, she has demonstrated that the First Lady can have an identity of her own and be a valuable member of the White House team.

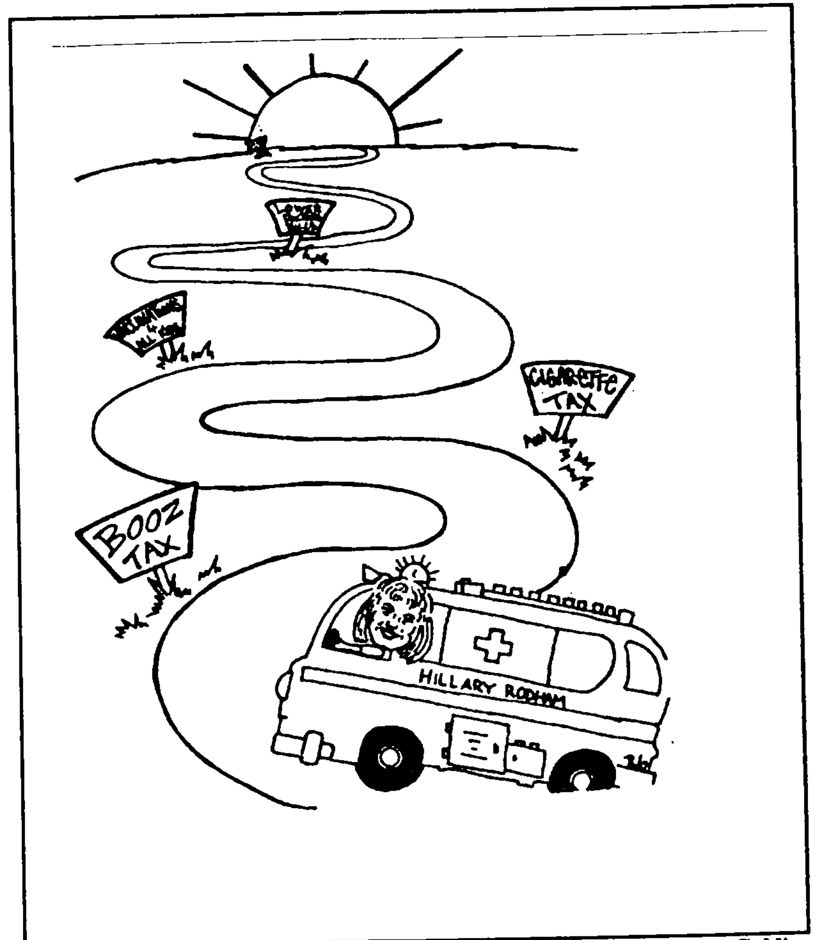
Hillary's role is sending a very positive message to men and women across the country. With the notable exceptions of Eleanor Roosevelt and Roselyn Carter, who sat in on President Carter's cabinet meetings, Hillary's predecessors took on only safe issues.

Nancy Reagan was bold enough to dare the public to "Just Say No," while Barbara Bush took a stance against illiteracy. Neither can be called controversial.

Hillary, on the other hand, is undertaking responsibility for one of the most critical and pressing issues that confronts the country today: health care reform.

Her input will not be superficial; she will have a major voice in shaping and implementing the ultimate policy and plans.

It is a credit to both President Clinton and Hillary that they have such self-confidence and mutual respect that they are able to take advantage of each other's skills and work as a team.



Cartoon By R Golding

Western Standards Of Bea ty Res t n Se f-Hate

THE WHITE HOUSE

WASHINGTON

Ms. Deborah Roderick Stark
137 C Street, S.E.
Washington, DC 20003

Dear Deborah:

Thank you so much for your thoughtful letter and kind words of encouragement. I remember well meeting you at the Congressional luncheon -- the enthusiastic faces of the Wellesley alumnae somehow always stay with me.

I have passed along your chapters from BEYOND RHETORIC to our senior staff working on child welfare reform. I too believe that all families must have a basic subsistence level in order to survive and help their children on their way to healthy and productive lives. I know your recommendations will be appreciated.

I am so grateful for the commitment and dedication of individuals like you.

Sincerely yours,

Hillary Rodham Clinton

Diane — Pls have MSS review first & then we'll prepare for HRC signature

March 11, 1993

Deborah Roderick Stark
137 C Street, S.E.
Washington, DC 20003

Dear Deborah:

Thank you so much for your thoughtful letter and kind words of encouragement. I remember well meeting you at the Congressional luncheon -- the enthusiastic faces of the Wellesley alumnae somehow always stay with me.

I have passed along your chapters from BEYOND RHETORIC to our senior staff working on child welfare reform. I too believe that all families must have a basic subsistence level in order to survive and help their children on their way to healthy and productive lives. I know your recommendations will be appreciated.

~~I have also asked Anne Bartley in my office to review your resume and to work with the White House personnel office to develop a list of options that you might be interested in.~~

I am so grateful for the commitment and dedication of individuals like you.

Sincerely yours,

Do note saying: This is Cong. Pete Stark's wife. ~~Ltr only to HRC~~ do a final HRC signature ltr & give draft ltr & back-up to Anne B.

No final letter? Where is Stark's letter