



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY

WASHINGTON, D.C. 20410-0001

October 11, 1995

THE PRESIDENT HAS SEEN
10/19/95

MEMORANDUM FOR: President Clinton
Vice President Gore

FROM: Henry G. Cisneros

SUBJECT: Observations on Conditions in America's Cities
and Recommendations

In a recent meeting sponsored by the Department of Housing and Urban Development, Professor Walt Rostow, former National Security Advisor to President Lyndon Johnson, commented on America's national security and the nation's urban challenge:

"When I am asked how I would rate the urban problem on the agenda of national security problems, I reply it is our number one national security problem. If we succeed in mastering the current urban problem of our country we shall strengthen our hand on the world scene. We shall demonstrate that we can be a truly multi-racial society, which is at the same time true to the international ideals to which we as a nation have long been committed. Nothing constructive can be accomplished in this dynamic, contentious, aspiring world without the active participation of the United States.

But, if we fail to master the urban problem, we shall, I fear, turn inward, away from the world. We shall be unable to play our part at the critical margin. And we shall risk a world environment of chaos."

Considering the stakes for our country in Professor Rostow's observation, I am saddened to report that in distressed community after community the Federal government is viewed as moving down the scale of relevance as a problem solver. I have been to more than 130 cities in 47 states as your Secretary of Housing and Urban Development and I am finding that life for moderate-to-low income folks is very tough and getting worse because of the loss of jobs and buying power, because of fears of crime and street tensions, and because of increasing racial and income isolation and the resulting suspicion and paranoia.

Your domestic initiatives of the last three years constitute a covenant with America's communities.

[Outline of the President's Urban Policy]
[Sent to Congress: August 3, 1995]

PRESIDENT CLINTON'S NEW COVENANT WITH AMERICA'S COMMUNITIES

The Clinton Urban Policy is grounded in four principles:

1. **Link Families to Work & Makes Work Pay:**
 - Preserves the Earned Income Tax Credit
 - Increases the minimum wage
 - Work-centered welfare reform
 - Invests in education and training through:

Head Start	School-to-Work
Goals 2000	Direct College Loans
Charter Schools	Skill Grants
Title I	
 - Connects urban poor to jobs in metro economy:

One-Stop Career Centers
Bridges-to-Work Initiative
Housing Certificates
2. **Leverages Private Investment:**
 - Brings capital back to cities through:

Community Development Banks
CRA reform
Oversight of secondary mortgage market
Strong fair housing and fair lending laws
National Homeownership Strategy
 - Creates conditions that foster private investment:

Empowerment Zones/Enterprise Communities
EDA revolving loan and grant programs
SBA One-Stop Capital Shops
DOT Livable Communities Initiative
HUD Community Opportunity Fund
Empowerment Contracting System
3. **Locally Driven:**
 - Empowerment Zone strategic planning process
 - Community policing
 - Project PACT
 - Consolidated planning
 - Performance partnerships
4. **Affirms Traditional Values of Work, Family, Self-reliance:**
 - Supports families through the Family Leave Act
 - Time limits on welfare
 - Strict child support enforcement
 - Provides education benefits for National Service
 - Tough penalties for violent crimes:

Boot camps	Drug courts
------------	-------------
 - Preserves Brady Bill & assault weapons ban

But as I stated in my August 9th memorandum to you, I believe a reaffirmed and re-emphasized community empowerment strategy (broader than "urban") can be an effective framework for children, schools, and jobs and can focus our battle over tax choices in Reconciliation and provide overarching themes for the 1996 and for the 1997 Budget. Now, as we approach mid-October, I want to strengthen my arguments because:

1. We can see that the Congress has gone too far in cutting programs for the most vulnerable Americans. We now know that the present appropriations bills will cut an estimated \$380 billion over seven years from income, Medicaid, health, housing, child nutrition, education, food and job training benefits for low-income Americans.

Not only will program dollars be reduced, but it is now clear that immense damage will be done to jobs and wages in cities and distressed communities. The huge Medicare cuts - now estimated to exceed \$189 billion in the cities alone over seven years - will cause the loss of tens of thousands of jobs in urban hospitals and health centers; cuts in the EITC will significantly reduce the purchasing power of working poor in the inner cities as will the reduced benefits from AFDC and food stamps; and Title I cuts will cause teacher lay-offs as well as reduced educational benefits to inner city children. All of these income losses will be setbacks for neighborhood retail and service establishments and for housing.

2. A broad spectrum of American opinion now concurs that the Congress has gone too far. The polls reflect it and personal soundings reflect it. I was surprised last week at a Wichita, Kansas meeting of the League of Kansas Municipalities how many Republican, small town and suburban city officials volunteered to me that the Congressional human services cuts are "too severe". Those cuts of programs for vulnerable people and distressed communities are the weak spot in the Republican juggernaut of tax cuts and stringent budget balancing deadlines.
3. America's urban leaders, particularly the mayors, can see that not only are their communities hurt badly by the cuts, but the governors and states are the whole focus of the discussion about devolution. Yet there is a new generation of mayors in the nation who in background and political philosophy are quite distinct from their predecessors. They are an entrepreneurial and innovative group who are highly focused on what works and are less partisan and less ideological in their governing style. Their capabilities, priorities, and constituencies deserve Federal attention.

Critics of the mayors' case argue that Federal initiatives should be overarching and general, not community specific or place-based. I argue that the cities with their present boundaries, leaders, and constituencies exist and are not going away. We didn't create them; we are not going to undo them. They are a major fact of life on the national landscape and we have to speak directly to them as a part of your larger, national message.

4. Conditions in many cities are worse than I can describe to you in words. In North Philadelphia are blocks of empty, burned out buildings. In Detroit are completely vacant and littered lots as far as the eye can see. In Los Angeles, entire neighborhoods are so under the control of gangs and drive-by shooters that children cannot play in their front yards. In Chicago, racial attitudes typify the increasing racial tensions in the nation at large. This is the way people live in America's greatest cities. But the sense of loss reaches far beyond the cities to the nation's attitudes and sense of its future.

Some would counsel that the Administration should not embark on an urban strategy because it will mark us as Old Democrats and identify us with the cities/minorities constituency and that in any event we should wait for your second term. I argue that the American people know things are profoundly wrong. They know how bad things are. They will respect you for practical action on those things which you know can work and that have strong "values" content. I am impressed by the number of communities in which such conservative groups as Chambers of Commerce and regional planning organizations have assembled forums to work through issues of urban decline and inter-racial dialogue.

The words "we can do this" are important to the national sense of optimism. People want these profoundly complex problems addressed by strong leadership, based upon your values of work, responsibility, and opportunity.



As you consider whether a community empowerment framework for children, schools, and jobs is appropriate, I have done my best to give you, first, some capsule observations about what I have learned over the last months and, second, some principles upon which to construct a broader community empowerment strategy. They are observations and principles that walk the middle ground between what needs to be done in communities and what is possible; that is, what is possible from existing initiatives and what is possible in

the present fiscal and legislative environment:

I. Observations About What Works

A. Let Community Leaders Lead

There is a tremendous amount of heartfelt trying in communities. Community leaders are trying new ways, they are working smarter, they are making sense. We can never approach their energy and concern for their communities by positioning Federal agencies in a lead posture. Yet they do need dollars as the critical glue to fill a capital gap, to push a marginal project to feasibility, to put in place public amenities or to achieve public goals in an economic strategy. That is the basis for a partnership, but it can be a workable partnership only if our role is entrepreneurial, respectful of their vision, and as focused on results as they are.

That is the lesson of the Empowerment Zones. Whatever we do in urban policy should build on the spirit of teamwork and local leadership we have seen in the Zones.

B. Stand by the People Doing the Grassroots Work

It is clear that the human problems in urban areas require focused civic and personal moral commitment. Work in transforming schools, strengthening policing practices, and reforming health systems is endless and exhausting. In its efforts to transform the Sandtown-Winchester neighborhood of Baltimore, the Enterprise Foundation confronted human systems that simply don't work, including neighborhood elementary schools that are the three worst performing schools in Maryland.

There is no progress possible without grassroots organizations that tie neighborhood networks to individuals. Federal assistance must be based upon existing social groupings and institutions and must respect peoples' deep desire to have a say in their own communities and lives.

In communities like Sandtown-Winchester, neighborhood leaders need the anchoring support of the major institutions that have no choice but to stay. As major businesses have left to answer the competitive imperatives of the global economy, other powerful institutions have become the new mainstays of civic, economic and moral commitment to the cities. They are medical centers, urban universities, utility companies, churches, community colleges, and schools. They are the building blocks for jobs and the best hope for civic

staying power; they need our support.

C. Urban Residents Can Handle Renewed Stress on Responsibilities

The public in inner city communities understands and endorses the balancing of rights and responsibilities. For example, they believe that children have a right to a good education but also recognize the responsibility of those same children to study and do homework and the responsibility of their parents to turn off the television sets and to meet their children's teachers. They believe in a right to safe and peaceful streets but recognize a responsibility to help police keep the community safe.

This acknowledgement of reciprocity in acceptance of society's benefits has led to a readiness to accept stricter personal and moral conditions on program benefits. For example, a successful fatherhood program in Baltimore focuses on unemployed, unmarried fathers, leading to good skills and jobs in a HUD lead-paint abatement program. In return, the fathers accept the responsibility to attend pre-natal appointments with their child's mother, to attend pediatric appointments, to complete a curriculum on fatherhood, and to participate in a fatherhood support group. The program's managers tell me that the men will do things - such as take a job or stop selling drugs - for their children that they will not do for any other reason.

At Miracle Village in Cleveland, an addiction recovery program for mothers in public housing, mothers must pledge to stay away from addictive substances and then demonstrate that they can give attention to their children, keep their apartments spotless, do without television sets, and help their children with homework. The key has proven to be to keep families intact. The old way was a Catch-22: you admit you are an addict, you lose your children, you go away to a treatment center that you can't stay at because you need to see your children. The bond, the motivation, at Miracle Village, is the love of mother and children.

It is clear that our public initiatives must address the very personal and moral challenges of urban life. As I have sat in hundreds of meetings with central city residents, I have been struck by the heart-wrenching courage of single mothers, but I have also been unnerved by the immensity of the mountains they must climb alone. They tell me of the exhausting work of protecting their little boys from the dangers of the streets and

protecting their daughters on their walk home from school, of making shrunken family budgets meet their children's needs, and of keeping their own spirits from falling so that they can motivate their children. It is always moving to me how many of the women draw their strength from their faith in God and it always impresses me how different is their deep spirituality from the American stereotype of the welfare mother. They struggle and struggle but they can't do it alone and their collective story is the national dilemma which David Rusk, the former Mayor of Albuquerque and now urban analyst, describes with numbers: *"In metro Baltimore, 98% of white, married-couple families with children are not poor, and 94% of black married-couple families with children are not poor. By contrast, 24% of white single mothers are poor, and 47% of black single mothers are poor. As a society we know that the surest anti-poverty strategy is the married-couple family!"*

Baltimore City has 33 census tracts where the poverty rate exceeds 40%. There are large public housing projects in or near almost all of these tracts; the projects' residents are 90 plus percent black single mothers and their children. In these 33 census tracts in 1990 were 3,008 two-parent families and 12,669 single mothers - one married couple family for every four single mother families! By contrast, in all the rest of metro Baltimore outside these 33 high poverty census tracts, there are 221,290 married-couple families with children and 68,706 single mother families - more than three married-couple families for every single mother family. That is a massive swing between a supportive family environment and the environment which public policies have helped to create in the poorest inner city neighborhoods."

The society - especially central city residents - is prepared to go a good deal further than is believed in accepting the structure and discipline of work and community service, of guideposts for responsibility, of conditionality in the most personal and even spiritual ways.

D. In Devolution, Don't Forget the Mayors and the Cities

A great deal of the design of devolution has included the governors but not the mayors. The mayors' frustration is directed at more than simply being left out of the debate; they have massive problems in their cities and have no confidence that the governors and state bureaucracies can or will help them solve urban problems. But steps can be taken to involve the mayors. For example, Mayor Nordquist of Milwaukee and Mayor Goldsmith

of Indianapolis are negotiating with their respective states to carry out the jobs component of welfare reform in their cities, assuring that welfare resources will be made available to the mayors for flexible wage supplements. Early reports are that the mayors will use the private industry councils, that job preparation will be worked out by the business people who do the employing, that they will include screening by community groups and churches and will insist on performance outcomes for all parties involved.

Effective roles for the cities and mayors can be designed even out of the most regressive devolution proposals. It is our job to make sure the mayors and city constituents emerge with a say over their destinies from the block grant and devolution blitzkrieg.

II. Recommendations of Principles for a Broader Community Empowerment Effort

A. JOBS, JOBS, JOBS!:

We must link inner city residents both to new jobs in their communities and to where the jobs are in the larger metropolitan economy.

The crisis of the cities is a crisis of economic function. Cities, including many younger cities such as Dallas and Los Angeles, prospered when manufacturing was the nation's economic engine and about 25% of their jobs base was manufacturing. No neighborhoods in America have been harder hit by the restructuring of America's manufacturing base than the inner cities. The loss of jobs and the stagnation of wages so effectively described by Secretary Robert Reich are most acute in the cities where the result is simply that there is insufficient money to sustain the urban economy. When asked their highest priorities, 99 of 100 mayors will predictably say, "Jobs, jobs, jobs!"

You are on record proposing the right measures to focus investment in jobs and incentives to work in distressed areas: community development banks, CRA reform, Empowerment Zones, EITC and others. You have mentioned expanding on tax incentives for urban areas if the opportunity presents itself in Reconciliation.

One idea that might have some potential in the Reconciliation negotiations with the Congress would be to use capital gains tax relief to attract capital for "community revitalization" activities, which could be

defined as equity or debt investments in financial intermediaries whose purpose it would be to provide capital to qualified businesses located in distressed areas. The incentive would take the form of a reduced capital gains tax rate for those taxpayers who invest in a "community revitalization" investment.

But even as we work at job creation in distressed areas, we must acknowledge that many urban experts believe that it is not realistic to expect large scale job creation in inner cities. So beyond efforts to rebuild the jobs base in the cities, there is a parallel strategy needed: linking people to jobs where they are growing. It is more important than ever to link families to work in the growing job generators of the suburbs, airport complexes, industrial parks, office centers, beltways and loops, research parks, and "edge cities." Approximately 60% of all the new jobs in the nation between 1980 and 1990 were created in the suburbs of metropolitan areas, but unaffordable housing prices and outright racial discrimination make it very difficult for many central city residents to live near those jobs.

The reduction of white urban poverty is more promising because 55% of poor whites live in suburbs, where jobs are growing. But, minorities and particularly African-Americans are largely denied that field of metropolitan opportunity. The populations of the central cities of Chicago, Detroit, Baltimore, Atlanta, and Newark average more than 70% minority, while the populations in the suburbs of those metropolitan areas, where jobs are growing, are only 17% minority.

Housing mobility programs, reverse commute efforts, fair housing programs, alliances with suburban employers, and special training partnerships can be strengthened to link people to the new jobs in practical ways. This approach can make the national prosperity, which the President's economic program has created, reach Americans in distressed communities. It is a way to connect poor urban residents to the rising tide of economic growth.

B. Without A Tax Base the Cities Can't Make It:

As long as city boundaries are so tightly limited (and nothing is happening or likely can happen to change them) the narrow tax base of the cities is a crushing obstacle. Again the measures you have proposed would help and federal tax incentives would be positive. But we have not put enough emphasis on clearing up "brownfields" and environmental hazards in order to free up the precious asset that Mayor Mike White is assembling in Cleveland:

developable land which can be reclaimed, renewed, and can regenerate the city's tax base.

As the nation's economy has shifted away from traditional heavy manufacturing to other forms of production, many communities have experienced wrenching plant downsizing and shutdowns, leaving in their wake unused or abandoned -- and almost always contaminated -- sites, commonly called "brownfields." The issue of brownfield cleanup and redevelopment has emerged as the central issue where environmental protection and economic revitalization overlap. Unless these buildings and sites are restored to useful life, continued deterioration will only weaken the economic base of the cities. EPA has mounted a brownfields pilot initiative that could be brought to national scale as part of the Administration's community empowerment strategy. In addition to the critical regulatory, liability and other technical aspects of the brownfields problem, which the EPA pilot addresses, left untouched is the problem of the high cost of cleanup. Without attention to the costs of clean-up, the Federal rules concerning the clean-up of abandoned city industrial sites create a terribly imbalanced playing field in favor of pristine suburban "greenfields" which are much cheaper to develop. The Administration could address this part of the problem through the creation of a tax credit for part of the costs of remediation.

We can also borrow from successes in Cleveland, Buffalo, and the Bronx in building entire neighborhoods of moderately priced single family homes which have attracted middle-class homeowners to dramatically revived neighborhoods of those cities. What those cities have concluded is that the working families they keep and those they can attract are their best hope for a tax base over any reasonable time frame. Cleveland churches are rebuilding congregations by working with the city to create neighborhoods of middle-class housing. Jim Johnson of Fannie Mae believes that most of the money for city problem-solving will come from taxes paid on the wages of workers who live there and therefore that housing and homeownership must go hand in hand with jobs.

We can do more with our own Federal initiatives to build up the positive and eliminate the negative. For example, Dick Moe of the National Trust for Historic Preservation urges that we take a positive step by reaffirming the 1976 Executive Order encouraging Federal agencies to use adapted historic properties in the cities when they seek office space. In terms of eliminating a negative, HUD's efforts to convert traditional public housing into "campuses of learners" would address conditions such as

those in Atlanta, where of the 22 poorest census tracts in the city, 16 are dominated by public housing developments.

C. "There Are ~~No~~ Children Here":

Virtually all urban observers concur that getting children off to a good start, beginning with children ages 0-3, is critical to improving conditions in communities. Then working in home, community, school, and workplace, the steps to adulthood can be made secure. Secretary Shalala describes this strategy as "a commitment to investing in Strong Foundations - the building blocks of success for children and families - and Safe Passages - the tools for navigating the transition from childhood to adulthood." In FY 97, HHS will seek nearly \$54 billion in investment in high priority areas such as Head Start, pre-school immunizations, child care, and maternal and child programs. It is particularly important to pursue Secretary Shalala's theme of Safe Passages on a cross-cutting, cross-departmental basis. You have spoken frequently and eloquently of the need to give young people something to say "yes" to, to give them positive choices and "good gangs" to belong to. This is an area that is ripe for public-private partnership and cooperation. You convened an exciting meeting of private sector leaders recently to discuss a private sector initiative to prevent teen pregnancy. I agree with those who say that a combination of hope and opportunity is the best contraceptive and suggest that the idea of a private-sector initiative can be broadened to challenge employers in communities all over America to provide more jobs and college opportunities for disadvantaged young people and to participate in making sure that the preparatory and support pathways and passages to those jobs and educational opportunities are provided in every community.

We can also pursue public sector strategies for Safe Passages. One possibility, for example, would be to create incentives for states and localities and school districts to pool portions of existing block grant funding streams to create safe passages structures and involvements for young people growing up in distressed neighborhoods. Funds that could be tapped for this purpose, even in the absence of any statutory change, exist in my own Department, and in HHS, Education, Labor, Justice, and the Corporation for National Service. What needs to happen is to create a bonus fund and streamlined audit procedures so as to give states and localities an incentive to pool parts of what are otherwise separate

funding streams.

D. As Go the Schools, So Go the Cities:

Myron Orfield, a Minnesota author, urban analyst and state legislator, concludes that it is conditions in city schools more than any other factor, including housing patterns, race, or job loss which determine the destiny of urban areas. My experience has been that families of all races and ethnic groups leave city neighborhoods for the suburbs as soon as they can afford to when they can no longer tolerate conditions in city schools. Secretary Riley has been tremendous in his emphasis on Title I funding for underfinanced urban schools.

A pre-condition for creating a learning environment is to establish order and safety in the schools. The leaders of Hope in Youth in Los Angeles tell of 50% absentee rates in East Los Angeles middle and high schools when gangs are the most threatening in their recruitment activities. On other days, children who don't want to be in gangs must leave before their last class to start home early because the walk from school is the most dangerous time. Serious learning is not even on the agenda, when children are afraid to go to school.

But solutions do exist. In Middlesex County, Massachusetts, District Attorney Tom Reilly meets four mornings each week with officials from schools, juvenile justice, police and youth programs in towns like Malden. As a result, they are successfully extending community policing tactics to school settings.

Across the nation, charter schools are providing innovative learning opportunities for students of all ages. More than two hundred of these privately run but publicly financed schools -- organized by parents, teachers, and even businesses -- are up and running in 19 states across the nation. Many of these schools are small in size, feature individual learning plans for every student, and place a heavy emphasis on community involvement and innovation.

Describing a Boston charter schools initiative, USA Today recently reported: *"More than 2,000 youngsters entered the lottery for the newly opened Renaissance Charter School in downtown Boston; 640 were accepted. It's already the nation's largest and growth is predicted. In an effort to retain students and their enrollment dollars, Boston public schools are set to create five 'pilot' schools; like charter schools, they'll use themes and new curriculum."*

The District of Columbia is forging a charter schools initiative with the Congress to focus on high-quality curriculum, teacher professional development, safety and discipline, parent involvement, and accountability for performance. Under discussion is a proposal to allow major public universities, as well as selected Federal institutions - the National Science Foundation, the Library of Congress, and the Smithsonian - to establish charter schools.

Also in the District, a Congressional task force on the D. C. schools proposes a scholarship program to sidestep the controversial issue of school vouchers: *"We propose an innovative approach to the long-standing debate over school choice and vouchers for private schools. Low and moderate-income families will be able to apply for scholarships that cover tuition at most local private schools or the costs of choice options in public schools. With a foundation of federal funds (over and above the D.C. budget), and such additional funding as choice advocates can raise privately, this new public-private scholarship program is designed to serve just one constituency: the students of the District."*

And will the public schools lose funds? Under the separate per capita funding formula that the mayor has agreed to use to fund public education, the budget will decrease only if total enrollment declines. If through public charter schools and improvements in other public schools enrollment increases, then the budget for public education will increase as well."

E. The Scourge of Drugs:

While crime statistics indicate that progress is being made, fear of crime remains a dominant fact of life in virtually every urban neighborhood and youth violence continues at alarming rates. Much of the impetus for urban crime is drugs. I don't believe we can make lasting community improvements with the utterly destructive effects of drugs so pervasive.

In Los Angeles, community groups estimate that street gangs control one-third of the drug trade in the metro area. Their control is based on turf and that leads to endless gang warfare, including drive-by shootings that kill innocent people. One weekend this August, there were 27 shootings in the Los Angeles area. In one area, Lincoln Heights, home turf to 50 different gangs, children are afraid to be outside their homes and dare not walk around the corner to another drug gang's marked territory. A walk to school may require crossing the

territory of two or three gangs whose erratic and arbitrary violence is exacerbated by their own drug use. Children cannot be children when neighborhoods are under such extreme siege.

A survey conducted in the Los Angeles area in September evidenced the public's feel for the inter-play of factors leading to increased crime. Poverty and employment were cited by 32% of the respondents as the primary reason crime has increased in the community in which they live, followed by gangs (28%), breakdown of the family (25%) and drugs (21%). Fully 36% of the respondents indicated they have considered moving out of their communities because of crime.

F. Focusing on the Center Cities Alone is No Longer Enough:

Too many cities are not only entrapped by tightly drawn city boundaries, but they are less important within their own metropolitan areas by virtually every measure and handicapped by a haphazard pattern of overlapping and competing jurisdictions. It is as if a formula for certain failure had been consciously designed. Worse yet, hardening racial segregation and isolation are a functional consequence of such false jurisdictional and political lines. While this boundary and jurisdictional framework is almost impossible to change locally and is certainly beyond the realm of plausible federal action, there are measures that are worth considering:

- ♦ The Federal government can create positive incentives to regional sharing of responsibilities such as mass transit, housing and limited tax sharing. When Federal funding is tied to a unified regional budget as under the Intermodal Surface Transportation Efficiency Act (ISTEA), regional intergovernmental compacts are effective.
- ♦ We can work with states to encourage regional cooperation. The Hartford region, for example, organized a voluntary fair share housing program for 29 towns which has not accomplished a great deal, but which is now strengthened by a state-created appeals process.
- ♦ Counties can be a very important focal point for action beyond the city limits. The County Executive of Wayne County, MI, Ed McNamara, recognizes the massive interdependence of Detroit and Wayne County and has pulled together the inner ring suburbs to work with Mayor Archer. More and

more inner ring suburbs - such as Evanston, IL; Yonkers, NY; and Cambridge, MA - have the same challenges as the central cities. County and regional forums can provide them the structure to work together on common problems instead of exacerbating tensions by being pitted against each other out of fear and competition.

Moreover, county governments may actually take the hardest hit from devolution because they traditionally carry the local burden of health and welfare, not the cities. On a more positive note, counties can make a tremendous difference through their housing policies, as has Montgomery County, MD and its nationally renowned inclusion of affordable housing in new developments throughout the county.

- ◆ The true economic organism which participates in the national economy and competes globally is the urban region. City boundaries and suburban jurisdictional lines have no relationship to the unique role that Boston or Miami play in the world economy. Every successful metropolitan area has a unique niche in which it excels: Boston and education-based technologies, Cleveland and machinery, Seattle and Pacific Rim trade, Dallas and Southwestern distribution.

Rosabeth Kanter, commenting on her new book, World Class: Thinking Locally in the Global Economy, said: *"In fact, what has made many communities and regions strong is what I call an infrastructure for collaboration between private and public interest associations that work together to set an agenda for the region."* If we want our cities to make the maximum contribution to national productivity and to carry their own load economically, then the Federal government can encourage regional governance structures which includes the central city mayors to strengthen the area's basic economic function and competitiveness.

III. Restructuring the Federal Role in Communities from the Ground Up

We must do a much better job of bringing Federal programs to ground in places. The problems are place-based, the local leaders are place-based, the jurisdictions are place-based; but the Federal agencies are still slaves to traditional organizations, to specialization, and to hierarchy. For example, in East Palo Alto, California,

a poor and racially-isolated community in the midst of Silicon Valley's prosperity, community leaders need help from EPA to solve hazardous materials problems so they can transform junkyards into an industrial park; they need help from Interior to convert an unkept waterfront along the East Bay into an attractive public amenity; they need help from HUD to relocate families for a promising regional retail center; they need help from Education to counter the fragmentation of their schools, and they need help from Justice with policing. But the Federal programs do not come together.

The communities and computer technologies exist today to do much better than we presently are. The organization of Federal agencies has not kept pace with what the technology makes possible. Peter Edelman of HHS advocates helping "people in places". The Vice President is working with the mayors to set up a way to respond to a city's needs across Federal departments, a kind of "virtual organization" across cabinet agencies. They are absolutely right, but we need a dramatic push to get to scale.

The mechanism you and the Vice President set up - the Community Enterprise Board (CEB) - is a major asset. No previous administration has coordinated that way and certainly none has had the intensity of involvement from the Vice President. But the CEB needs to be more of a working group, more informal, with deadlines, more focused on actual collaborative partnerships in specific cities, and frankly, tougher on the Secretaries to produce, to make the Cabinet departments cooperate in places.

We also need a basic new approach to pulling together our existing regional and local Federal offices on the ground. That coordination cannot occur from Washington, even from a vehicle as powerful as the CEB or from the top-down follow-up of Cabinet secretaries through the levels of their departments. Your legacy could be to put in place a fundamentally altered Federal structure, to set up effective cooperation from the ground up. It will require setting up collaborative local networks of Federal officials who are involved, acknowledged, heeded, rewarded, trained and promoted for their community effectiveness. It might also be possible to turn over some local Federal functions to a local governance structure or to contract them to local governments. The next step in reinvention of Federal agencies should be from the ground up, not from the top down.

The Federal relationship with local governments can also

be fundamentally restructured. Federal programs -- even after significant streamlining and consolidation -- continue to be designed and implemented with rigid prescriptions and requirements; the ability of localities to use funds creatively and tailor them to local needs is highly limited. Mayors Abramson of Louisville, Rice of Seattle and others have persuasively argued that the way the Federal agencies' are organized too often undermines those agencies ability to be part of community problem solving even when local solutions are possible and when local leaders have good plans.

The Federal government can give mayors the power to make decisions about funding allocations and priorities that better reflect the unique circumstances of their communities. With respect to formula funds, mayors could be given the authority to "flex" funding between disparate federal programs (e.g., education, housing, community development, transportation, job training) to enable a laser focus on local priorities. Such flexibility could trigger immense innovation at the local level. For competitive Federal programs, one idea would be for Cabinet departments to meld their funding streams to create a sum of locally flexible funding, as our joint task forces did with the Empowerment Zones. For example, HUD and HHS could jointly select and jointly fund homeless housing and mental illness projects so that communities can effectively serve the addicted and mentally ill homeless. Another example might be EPA and DOL jointly selecting environmental clean-up and employment projects, so that communities can have the latitude to use the funds across departmental lines and train residents for the skilled environmental jobs demanded in the cities.

◆◆◆

I have felt that it is important to put what I believe to be the essential elements of community empowerment in one statement for you. This memo is intended to do that. Clearly there is much more that can be done, just as there are arguments against doing any of these things. My best judgement is that the time is right to move. This fall's Reconciliation, November's 1997 budget process, the State of the Union, Administration management themes in the new year, and the national dialogue you will lead in 1996: All of these are chances to use your voice and your initiatives to help Americans build communities of opportunity and to cement your legacy of an effective Federal government for the new century.

NEW ENGLAND
 Massachusetts 10
 Connecticut 8
 Maine 4
 Rhode Island 4
 Vermont 3
 Subtotal 29

MINUS

 Maine 4

MUST HAVE
 Massachusetts 10
 Connecticut 8

 Rhode Island 4
 Vermont 3

SOUTH
 Tennessee 11
 Arkansas 6
 Louisiana 9
 Georgia 13
 Kentucky 8
 West Virginia 5
 Subtotal 52

Tennessee 11

 Georgia 13
 Kentucky 8

Arkansas 6
 Louisiana 9

 West Virginia 5

ATLANTIC
 New Jersey 15
 Delaware 3
 Maryland 12
 Subtotal 30

New Jersey 15
 Delaware 3
 Maryland 12

INDUSTRIAL
 New York 33
 Pennsylvania 23
 Ohio 21
 Michigan 18
 Illinois 22
 Subtotal 117

Ohio 21

New York 33
 Pennsylvania 23

 Michigan 18
 Illinois 22

MIDWEST
 Wisconsin 11
 Minnesota 10
 Iowa 7
 Missouri 11
 Subtotal 39

Iowa 7
 Missouri 11

Wisconsin 11
 Minnesota 10

MOUNTAIN WEST
 New Mexico 5
 Colorado 8
 Subtotal 13

Colorado 8

New Mexico 5

PACIFIC
 California 54
 Washington 11
 Oregon 7
 Hawaii 4
 Subtotal 76

California 54
 Washington 11
 Oregon 7
 Hawaii 4

GRAND TOTAL 356

TOTAL 83

TOTAL 273

10/13/95

TOTAL CITIES = 278

TOTAL VISITS = 683

GROUP BREAKDOWNS

GROUP 1

79 Cities - Five (5) Visits (Secretary and Assistant Secretaries)
Total Visits = 395

GROUP 2

110 Cities - One (1) Visit (Assistant Secretary)
Total Visits = 110

GROUP 3

89 Cities - Two (2) Visits (Sec. Reps, Deputy Assistant Secretaries)
Total Visits = 178

ARKANSAS

GROUP 1

Little Rock

GROUP 2

Fayetteville
Fort Smith
Texarkana
West Memphis

GROUP 3

Pine Bluff

CALIFORNIA

Los Angeles
Sacramento
San Diego
San Jose
Los Angeles County
Santa Clara County

Berkeley
Compton
Fresno
Huntington Park
Inglewood
Long Beach
Monterey Park
Palo Alto
Pasadena
Orange County
San Bernadino County
Sacramento County

Bakersfield
Burbank
Chico
Modesto
Montebello
Monterey
Oxnard
Pomona
Riverside
Salinas
San Bernadino
Santa Ana
Santa Barbara
Santa Maria
Santa Monica
South Gate
South San
 Francisco
Stockton
Watsonville

COLORADO

Denver
Pueblo

Boulder
Colorado Springs
Fort Collins
Greeley

Adams County

CONNECTICUT

Bridgeport
Hartford
New Haven

Stamford
Waterbury
West Haven

Danbury
New Britain
Norwalk

DELAWARE

Wilmington

Dover

FLORIDA**GROUP 1**

Jacksonville-Duval
Miami
Orlando
Tampa
Dade County

GROUP 2

Fort Lauderdale
Hialeah
St. Petersburg
Tallahassee
Broward County

GROUP 3

Pensacola
West Palm Beach
Hillsborough Co.
Palm Beach County

GEORGIA

Albany
Atlanta
Savannah
Fulton County

Augusta
Macon
Cobb County
De Kalb County

Athens
Columbus

HAWAII

Honolulu

ILLINOIS

Chicago
Springfield
Cook County

Champaign
East St. Louis
Evanston
Joliet
Peoria
Rock Island
Rockford

Bloomington
Urbana
Madison County

IOWA

Des Moines

Davenport
Sioux City
Waterloo

Cedar Rapids
Dubuque

KENTUCKY

Louisville

Covington
Lexington

Jefferson Co.

LOUISIANA**GROUP 1**

Baton Rouge
New Orleans
Jefferson Parish

GROUP 2

Alexandria
Houma
Lafayette
Shreveport

GROUP 3

Lake Charles

MAINE

Bangor
Portland

Lewiston

MARYLAND

Baltimore
Baltimore County
Montgomery County

Prince George's County

Hagerstown

MASSACHUSETTS

Boston
Springfield

Cambridge
Lawrence
Lowell
New Bedford
Somerville
Worcester

Brockton
Fall River

MICHIGAN

Detroit
Flint
Saginaw
Wayne County

Ann Arbor
East Lansing
Lansing
Pontiac
Macomb County

Battle Creek
Dearborn
Grand Rapids
Kalamazoo
Genesee County
Oakland County

MINNESOTA

Minneapolis
St. Paul

Rochester

Hennepin County
St. Louis Co.

MISSOURI

GROUP 1

Independence
Kansas City
St. Louis County

GROUP 2

St. Joseph

GROUP 3

Columbia
Springfield

NEW JERSEY

Camden
Newark
Trenton
Essex County
Hudson County

Atlantic City
Elizabeth
Jersey City
Paterson
Bergen County
Camden County
Monmouth County

New Brunswick
Union County

NEW MEXICO

Albuquerque
Las Cruces

Santa Fe

NEW YORK

Albany
Buffalo
New York City
Rochester
Erie County

Binghamton
Islip Town
Newburgh
Niagara Falls
Schenectady
Syracuse
Utica
Yonkers
Nassau County
Rockland County

Elmira
Troy
Suffolk County
Westchester Co.

OHIO

Akron
Cleveland
Columbus
Dayton
Youngstown
Cuyahoga County

Cincinnati
Toledo
Hamilton County
Franklin County

Bowling Green
Canton
Hamilton City
Steubenville
Warren

OREGON**GROUP 1**

Portland

GROUP 2Eugene
Salem**GROUP 3**Medford
Clackamas
County**PENNSYLVANIA**Harrisburg
Philadelphia
Pittsburgh
Allegheny CountyAllentown
Bethlehem
Chester
Reading
Scranton
Beaver County
Chester County
Delaware County
Lancaster County
Luzerne County
Washington CountyAltoona
Erie
Johnstown
McKeesport
Wilkes-Barre
York
Berks County
Montgomery Co.
Westmoreland
County
York County**RHODE ISLAND**

Providence

Pawtucket

Warwick
Woonsocket**TENNESSEE**Chattanooga
Memphis
Nashville

Nashville-Davidson

Shelby County

VERMONT

Burlington

WASHINGTONSeattle
Spokane
King CountyOlympia
TacomaPasco
Richland
Yakima
Pierce County
Snohomish Co.

WEST VIRGINIA

GROUP 1

Charleston

GROUP 2

Huntington
Wheeling

GROUP 3

Parkersburg
Weirton

WISCONSIN

Milwaukee
Milwaukee CountyGreen Bay
Kenosha
Madison
RacineEau Claire
La Crosse
Sheboygan
Wausau

THE WHITE HOUSE

WASHINGTON

August 24, 1995

MR. PRESIDENT:

I understand from Secretary Cisneros that you wanted to take another look at his August 9 urban strategy memo. I am forwarding this memo, together with Laura Tyson's note sharply disagreeing that this is an appropriate time for new initiatives. The Vice President's office also argues that we should focus on a stronger White House message rather than major new initiatives.

Henry's argument, in a nutshell, is that the cities are deteriorating fast, that we don't have enough to stand on (e.g., 12 Empowerment Zones isn't broad enough), that we need a larger Presidential strategy, and that the FY 97 budget is our last chance.

His memo sets forth a number of policy ideas, including: a commercial revitalization tax credit to lure capital; spurring Community Development Banks; cleaning up major urban "brownfields" to make room for commercial developments or thousand-home subdivisions; expanding the "Bridges-to-Work" demonstration, designed to bring inner-city residents to jobs outside their communities; creating a network of "empowerment schools" and "fresh-start academies"; turning public housing complexes into "campuses for learners."


Todd Stern

MARKING INITIALS: MJ DATE: 9/14/14

2019-07H-5

95 AUG 24 89:12

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

THE SECRETARY

WASHINGTON, D.C. 20410-0001

August 9, 1995

CONFIDENTIAL

MEMORANDUM FOR: President Bill Clinton

FROM: Henry G. Cisneros / *Henry Cisneros*

SUBJECT: President's Urban Strategy

At our first Cabinet meeting, you said that if Cabinet Officers ever had an urgent message which we felt you should see that we should put it in a memo and you would review it. Knowing of the immense demands on your attentions I have tried not to abuse that privilege, but I want now to convey to you in the strongest terms that the time is now or never for a Presidential urban strategy.

I am not making a self-serving plea for budget or programs; this is not a call for a HUD urban strategy. I believe it is time for a Presidential strategy which either takes the form of a definable White House effort or which combines the urban initiatives of several Departments in a cohesive way. I am acutely aware of budget and Congressional barriers, but there are overarching reasons why a Presidential Initiative is urgent:

1. The cities are hurting badly and the nation will pay the consequences for many years:

The effects of the Congressional budget cuts further erode urban conditions that were already dangerously deteriorated. Economic vitality and jobs have been sapped from city after city. Daily we lose more of our inner city children to drugs, gangs, and guns. We must draw deeply on our experiences and determine the two or three most important things that can make a difference. I have outlined some suggestions herein.

2. We are about to be flanked by the Speaker:

As hard as it may be to believe in light of the unconscionable House cuts, Speaker Gingrich, on the sheer strength of rhetorical flourish, publicity gymnastics, and the energy to start a dialogue with unlikely activists, is working to end run our agenda. What he has done in the District of Columbia is a foretaste of what he can do nationally and is in fact preparing to do.

His think tank, the Progress and Freedom Foundation, is now meeting with Democratic Mayors concerning a Contract with America's Cities. It will have attractive ideas and could capture the high ground of the public's imagination even as his Congressional allies decimate urban programs.

3. We are running out of time:

The 1997 budget you will prepare this Fall is the last one this term in which you can offer a credible urban package.

4. There is always room in the budget for Presidential priorities of reasonable size:

If you decide early in the budget process that an urban program is needed, it will be a factor throughout the entire budget process instead of an afterthought that cannot be accommodated because it would push out other spending late in the game.

5. We do not have enough to stand on in the cities:

Empowerment Zones in 12 cities are simply not a broad enough program to stand on. We have to have something cooking that is more broadly based and hopeful to more cities.

6. We can be caught flat-footed by the violent outbreaks which will stem from the anger in the cities:

There have been three contained outbreaks of civil unrest in recent weeks - Indianapolis, Coconut Grove outside Miami, and Los Angeles (see attached descriptions and a column from the Boston Globe.) Many local leaders are worried that it won't take much to set off wider disturbances. We do not want to be caught flat-footed if civil unrest occurs, which increasing numbers of local leaders feel is inevitable.

Mr. President, for all of these reasons I recommend that you consider one or a combination of the following kinds of urban initiatives as a centerpiece of the 1997 budget, with an announcement as soon as possible that you intend to do it. The central theme of these suggestions is that they expand economic opportunities for residents of distressed communities and put people to work:

A. Building Competitive Cities: Connecting People to Work

1. Draw private investment to the cities by lowering the business tax burden:

The challenge is to get the capital markets to respond to the cities. A commercial revitalization tax credit for distressed communities would replicate the success of the low-income housing tax credits. Tax credits could spur private investment to generate jobs as well as provide needed community amenities, such as neighborhood shopping districts.

One approach would be to pursue a second round of empowerment zones matched to tax strategies, such as:

- capital gains relief to businesses that reinvest gains in an EZ business asset;
- a portable tax credit, allowing businesses outside the zones credit for hiring residents who live in these communities; and
- a welfare-to-work credit for businesses who hire EZ residents who currently receive AFDC benefits.

The Vice President's involved leadership on the first round of zones has spurred an unprecedented level of community organization and strategic planning. The zones are proving their ability to leverage substantial private capital. (Lead Agency: Treasury)

OR

2. Prime the pump with smart public investment:

The most flexible and successful tools available to local officials for local economic development are HUD's Section 108 and Economic Development Initiative. In FY 1995 alone, the combination of these two programs has helped 70 communities create or retain over 70,000 jobs. The assistance has leveraged billions in public and private investment and has supported such key efforts as the creation of small business revolving funds and the location of inner-city supermarkets. The Mayors describe it as the most effective federal money to use for local economic development, though Commerce's EDA funds are also very effective.

The House Appropriations bill drastically curtails these programs, reducing the limitation on Section 108 loan guarantees from \$2.05 billion to \$1 billion and eliminating the \$350 million Economic Development Initiative completely. These were the kind of funds used to make possible the Los Angeles CD bank. A wide variety of local job generation strategies can be built on expansion of these programs. (Lead Agencies: HUD and Commerce)

OR

3. Spur Community Development Banks modeled on the Los Angeles Community Development Bank:

This initiative deals with a critical linkage connecting people to work -- increasing access to job-creating debt capital in the inner city through the creation of CD banks. It builds upon a successful model pioneered in Los Angeles by Mayor Riordan. Vice President Gore has called the Los Angeles community development bank "a model of innovation and creativity for the rest of the nation." If the CDFI appropriation remains mired (it was reduced to \$50 million as a result of the FY 1995 rescissions bill and receives no funding in the FY 1996 appropriations bill) it should be remembered that the Los Angeles bank was the result of HUD's Economic Development Initiative and Section 108 programs. They can be a vehicle for putting some banks in place now. (Lead Agency: Treasury and HUD)

OR

4. Reclaim environmentally unsafe central city land and provide training and jobs in clean-up and redevelopment:

One of the most challenging problems facing cities is the clean-up and clearance of old industrial sites that in their existing condition are barriers to redevelopment. Contaminated land represents more than 40 percent of Cleveland, more than 20 square miles of Philadelphia, and thousands of acres of Detroit.

Cities need land that is cleared and free of environmental hazards before they can begin to make businesses or housing strategies work. Capital grants to clean-up "brownfields" can be matched to training funds to employ central city residents in environmental clean-up activities. Available land and ready capital will form a powerful combination to help cities exploit their competitive economic advantages and attract back middle-income homeowners. The scale of this effort should be to clear sites of hundreds of acres so that large scale business developments and subdivisions of up to a

thousand homes for homeownership can be built. (Lead Agencies: EPA and Labor).

OR

5. Expand the Bridges-to-Work Demonstration to a National Scale:

"As I try to show in my own work, decades of poverty concentration and job suburbanization have isolated the poor residents of many inner cities from the areas of greatest employment opportunity in their metropolitan regions. While efforts to reduce poverty concentration and to reverse job suburbanization remain important national priorities (e.g. fair housing enforcement and empowerment zones, respectively), Bridges-to-Work would test a third and complementary approach: directly connecting inner city residents to job opportunities outside their local communities." (William Julius Wilson, in letter to Secretary Cisneros, June 15, 1995.)

The Bridges-to-Work demonstration (BtW) is an exciting initiative that directly connects inner-city residents to job opportunities outside their local communities. Five national foundations (Ford, Rockefeller, MacArthur, Casey and Pew) are supporting Public/Private Ventures (PPV) to design this 8-site national demonstration. During the course of two years of intensive development work, PPV has assembled an impressive set of eight potential sites including metropolitan Chicago, Philadelphia, St. Louis, Baltimore, Denver, Milwaukee, St. Paul and Newark. These eight partner sites have formed planning collaboratives representing interests from throughout their regions and have developed detailed Bridges-to-Work projects that are ready to be implemented.

William Julius Wilson calls Bridges-to-Work the "single most important anti-poverty R+D initiative underway in the Administration." FY 1997 is the time to expand Bridges-to-Work to a national scale by providing modest federal planning grants to metropolitan planning collaboratives across the country, enabling them to replicate the accomplishments of the demonstration sites. (Lead Agency: Labor)

B. Express Our Commitment to our Children and Youth

1. Create a Network of "Empowerment Schools" and "Fresh Start Academies"

Despite all our current efforts, we stand in jeopardy of losing a large proportion of inner-city youth to the streets. The statistics are grim and unrelenting. Drop-out rates in inner-city high schools typically approach 50 percent. One-half of all African-American male school dropouts under age 25 are now under criminal justice supervision. The employment rate of such dropouts is less than 40 percent.

If any urban strategy is to be successful, we need to address these problems head-on, building upon the lessons of the efforts to date. Two ideas have emerged which, I believe, hold great promise.

The first is to create a network of "empowerment schools" that would stimulate community-wide collaborations and comprehensive strategies for supporting parents, children and youth. As in the successful empowerment zones, communities (including private business) would be challenged to offer integrated solutions that cross agencies and disciplines. Communities would be given the latitude and flexibility to combine existing programs as well as compete for new funding. The possibilities for marrying what are now disparate and unconnected federal funding streams -- public housing, Head Start, school-to-work, summer jobs -- are endless.

The second idea, which is complementary, is to offer a fresh start to troubled youth by providing them with disciplined, structured environments. One approach is to support a network of "Fresh Start Academies" that could offer four years of quality education and vocational training in an environment of character-building discipline. Graduates could be guaranteed college scholarships. There is great potential for the use of retired military personnel in such an effort. (Lead Agency: Education)

C. Linking the Cities to the Momentum of the Information Age

1. Convert public housing complexes to campuses for learners:

Public housing complexes can be restructured as learning campuses, as universities for the residents, as homes to communities of learners. The housing units become dormitories which support the classrooms and computer rooms nearby for residents of all ages - developmental day care for children, public schools adjacent to the campus for youth, training and college curricula for adults, and self-improvement classes for seniors.

Classes are held everyday on-campus, given by faculty who commute there or live there.

Every residential apartment can be wired to offer the computer connections necessary to make self-paced learning possible at all hours. The information highway need not bypass distressed neighborhoods or poor people.

The psychological difference between public housing as it is and this concept of communities of learners is that, like at a university, residents at the "learning campus" is not viewed as permanent but for as long as the educational program takes. The ever-present expectation is self-improvement and the quest for eventual self-sufficiency. For all but seniors, residential tenure is limited to no more than four years, consistent with the duration of the curriculum. (Lead Agency: HUD)

OR

2. Seed inner cities with a network of "electronic villages":

In the same way that the interstate highway system bypassed poor and disadvantaged communities accelerating their economic and social decline, the information superhighway could bypass and further isolate distressed communities and their residents from the social and economic mainstream.

The theory behind this initiative is that by providing residents of lower income neighborhoods with the primary tools of access to today's information economy, barriers will fall and positive economic results will begin to accrue. This initiative will help fund a network of learning-oriented inner-city neighborhood centers which connect residents, businesses, service providers, and government in a community network. It would build upon and expand FHA's current initiative in the Edgewood community in NE Washington, and upon efforts to train residents in computer literacy and create resident-owned businesses based upon computer technology. Tremendous economic gains would result, for example, by amending CRA to give leaders CRA credit for subcontracting a small fraction of their back-office data processing operations to resident-owned firms.

Pushing the envelope on electronic villages and the broader concept of electronic community development would require the close coordination of HUD, Commerce, Education and Labor -- each of which is experimenting with how to bring the benefits of 21st century technology to inner cities. This initiative builds on the Vice-President's interests in the information super highway and is a win-win initiative for all concerned. (Lead Agencies: Labor, Education, Commerce, HUD)

CONCLUSION

Mr. President, it is obvious that government alone cannot solve the problem of the cities. We will change the course of inner city life only if the nation commits both private and public energies, talent and resources. Churches, family, involved adults, volunteerism, boys and girls clubs - these are the real means for reweaving the social fabric in our distressed communities.

This issue offers you an opportunity to have a sober conversation with the nation on the American future and potential. It places you in a position above party and above individual gain. You are at your best - national service, the Memphis speech, the Affirmative Action decisions - when you lift the national dialogue to a higher, even spiritual, level where you encourage and exhort individuals and communities to fulfill a higher purpose.

Again, I am not advocating for any one of these proposals individually so much as making the case that you and the nation need an urban message. I would like to back-up this case with the opportunity to speak to you and expand upon the urgency of the nation's urban condition.

Indianapolis, Indiana

A protest against alleged police brutality turned into a four square block "mini-riot" as termed by Indianapolis, Indiana Mayor Stephen Goldsmith on July 26, 1995. The incident involved approximately 90-100 protestors and more than 100 police. Twelve people were arrested on this first night of problems and eleven people were injured including one police officer and a television cameraman. At least a dozen police cars were damaged by rocks and bottles.

The incident stemmed from arrest by a white Indianapolis Police Department (IPD) Sergeant of a black individual as a part of a narcotics investigation. The Subject sustained injuries some of which were alleged to have been inflicted by the police officer during the arrest. According to the Police Sergeant, the Subject ran from police and was later located and arrested. The Subject allegedly ran again and was then knocked to the ground by the officer. The Subject was charged with resisting and fleeing arrest. After being released, the subject was joined by several neighborhood residents in an "informal protest" regarding his arrest outside the Northside District station of the Indianapolis Police Department. As a disturbance developed, IPD called in available officers to manage the disturbance. Over a three hour period, approximately 100 police officers used tear gas, K-9 units, and armored riot vehicles to disperse the crowd.

On the following day, July 28, 1995, another disturbance occurred in the same vicinity resulting in the looting of a drug store and the attempted looting of a pawn shop. This rally began as a protest of IPD's handling of the recent arrest and the previous night's confrontation with protestors. At least 100 police officers used tear gas and arrested 27 people for disorderly and other unlawful behavior. Approximately two to three dozen cars were attacked with stones, bricks, and glass bottles.

Police agencies involved include IPD, Marion County Sheriff's Department, and the Indiana State Police.

Indianapolis Police Chief James Toler has ordered an internal investigation into allegations the IPD officer beat the Subject while handcuffed. Toler also requested a separate U.S. Justice Department investigation. No problems have occurred in the following days since the two consecutive nights of disturbances noted above.

The disturbances did not involve Public Housing property or occur in close proximity to such property. The neighborhood involved is the near North side of Indianapolis, and economically poor neighborhood. Residents of this neighborhood have recently requested additional police help to combat drug trafficking problems.

Coconut Grove, Florida

On the night of July 27, 1995, in Coconut Grove, Florida, police responded at 10:15 p.m. to a large crowd gathered for a block party at Douglas Road and Day Avenue. The police told the Disc Jockey he needed a permit for the party which was broken up. Dozens of young people, as a group, began breaking windows, setting fires, attacking motorists and flipping dumpsters. One hour later white police officers arrested two black robbery suspects in the 3500 block of Day Avenue and at that time, two blocks away, the first rocks and bottles were thrown.

In Coconut Grove on July 18, 1995, a white police officer stopped Torrey Jacobs, a black male, for questioning. Jacobs was wearing a ski mask and had a replica pistol. Jacobs tried to flee and dropped the replica pistol. When Jacobs tried to pick up the replica pistol the police officer shot and killed him. The individuals in the disturbance on July 27, 1995, were wearing pillow cases and t-shirts over their faces with the eyes cut out, similar to what Jacobs was wearing.

That was the second disturbance in Coconut grove since May 1995 when white police officers arrested 17 year old Jimmy Tucker, a black male, on charges that he threw a rock through the window of a car. Witnesses claimed the police roughed up Tucker and people took to the streets to protest. That disturbance was larger than the one on July 27, 1995.

The residents have requested police sweeps of drug dealers and a police substation at the corner of Douglas and Grand. There is a history of drug activity in this area of Coconut Grove based on conversations with Metro Dade Police Department. These incidents occurred near public housing developments.

Los Angeles, CA

On Saturday, July 29, 1995, two uniformed Los Angeles Police, assigned to "gang" investigations, responded to a call in the Lincoln Heights area, and spotted Antonio Gutierrez, 14, crossing the street with a pistol. When officers confronted the youth, at Eastlake Avenue and George Street in the Lincoln Heights area of Los Angeles, he allegedly turned his weapon upon the officers. Before the youth had an opportunity to fire, the officers fired, killing the youth. Allegedly, officers recovered a TEC-9, (9mm semiautomatic pistol) from the body. Friends of Gutierrez, who witnessed the shooting, contend that he was carrying a flashlight, or was in fact carrying the weapon but tossed it away when confronted by the officers. Within an hour of the incident, a crowd, demanding "justice", gathered and became unruly.

Approximately 100 officers were called in to control the crowd, with three men subsequently being arrested. There were no subsequent injuries.

On Sunday, July 30, friends of Gutierrez confronted police to show that they believed the shooting incident was wrong. Police and Gutierrez's friends reached an agreement in order that a "carwash" could be held in order to raise funds for his funeral. However, at about 5 p.m., police returned after local motorists complained that youths were disrupting traffic and throwing rocks at passing cars. Police responded and arrested about 10 teenagers who were sitting on curbs awaiting transport when a crowd began to grow. The crowd became unruly, throwing bottles and setting fires while shouting at police.

Approximately 100 officers were dispatched to the area and began to chase down protesters, who kept running into local stores and returning to throw bottles. A total of about 25 people were arrested on assault and disturbing the peace charges.

The area of disturbance was North Broadway Street and Eastlake Avenue. None of the locations of the violence are in or close to any public housing development.

Los Angeles Police are investigating the incidents, including the shooting of Antonio Gutierrez.

Program-gutting Congress tosses fuel on inner-city fires

DERRICK Z. JACKSON

The smoke of rage was all too visible last week. Three cities had disturbances. All started with a charge of police brutality.

In Indianapolis, 30 people were arrested in two nights of unrest. At one point, police fired tear gas into a crowd to stop some minor looting. The trouble began, witnesses said, after a handcuffed Danny Sales, 21, an African-American, was knocked to the ground and had a racial epithet shouted at him by a white narcotics officer as he was being dragged into custody. Sales was charged with resisting and fleeing arrest.

In the Coconut Grove section of Miami, a band of about 30 youths wearing pillowcases over their heads threw rocks and bottles at cars. There were no arrests or major injuries. The incident came a week and a half after Terrey Down Jacobo, 17, was shot and killed by police. Police said Jacobo ran when he was approached by an officer, who said Jacobo was acting suspiciously. Jacobs

dropped a chrome-plated object.

When Jacobs tried to pick it up, Officer Chris Griffin opened fire. Jacobs was fatally wounded in the chest. The object was a cigarette lighter shaped like a gun. Police said Jacobs wore a ski mask and carried marijuana. Neighbors described him as a church-going junior deacon. At a candlelight vigil for Jacobs, Rev. Willie Sims, assistant director of the Metro-Dade office of black affairs, said he saw young men crying and fainting.

"They're hurt," Rev. Sims said. "I've never seen young men act like that before. I perceive a sense of hopelessness that's starting to build."

In Los Angeles, youths and young adults threw bottles for two nights in Lincoln Heights. The disturbance was triggered by the fatal police shooting of 14-year-old Antonio Gutierrez. The police said they fired six shots at Gutierrez when the boy pointed a gun at them. Police said they recovered a Tec-9 semiautomatic pistol at the scene.

Gutierrez, according to an 18-year-old friend, had earlier agreed to carry the Tec-9 to another teen-ager. "He didn't even know how to use it," the teen said. "Yet."

But the friend said Gutierrez threw away the gun when he saw police. At the moment of the shooting, friends and relatives said Gutierrez was only carrying a flashlight.

"The police should be around to protect us, not to shoot us," said resident Mario Sanchez, 21. "They're always pointing guns at

With this gasoline, the only question is which city will be lit up next.

us. They want this kind of thing to happen."

Julie Noriega, 23, said, "It takes one shot in the leg, maybe two shots, to get a little boy down. It doesn't take nine shots. ... They didn't even say 'Freeze.'"

It is hard to say "Freeze" when the streets are hot. These are the streets created by two decades of noninvestment and being squashed even further by an education-gutting, social-program-gutting Republican majority and a go-along White House. While

the white youth unemployment rate is 17.1 percent, African-American youth unemployment is the same as it was when Martin Luther King was marching: about 40 percent. The Latino youth unemployment rate is 27.5 percent.

Then add the illegal drug trade, which the United States has never seriously tried to stop. Then add guns, which, thanks to our gun-loving popular culture, flood our streets. With this gasoline, the only question to ponder is which city will be lit up next.

Since most education and job proposals in peaceful political channels have been rejected as too costly, the discouraged appear to be desperate enough to once again risk their lives in costly, attention-seeking behavior. Anyone will tell you that the daily riot of black folks killing black folks claims far more lives than the cops do. But rebellions against police brutality remain important to the restless because they are the only time the white world asks why they are so restless.

No one wants to see a rebellion. They do not do much to beautify the neighborhood. But neither does the inner city deserve the assault on its aspirations by our politics and

economy. For young people to be so thoughtless as to provoke police fire by reaching for objects of any kind indicates the ultimate hopelessness of having nothing to lose.

In Miami, Police Chief Donald Warshaw tried to downplay the connection of the bottle-throwing to the Jacobs shooting. "They probably did it because they had nothing better to do," he said. That is precisely the problem. Miami social worker Sylvia Jordan, who may face cuts for her federally funded crime prevention program, said, "Kids here feel pretty shafted."

The smoke is rising up the shaft. The kids of the inner city cry for water. They get only gasoline. The only time the nation pays attention to them is when there is a fire. Three separate disturbances, not within a week, ought to tell you that they are tired of being ignored. Think about it. They were nice this time. They threw only bottles and rocks. They did not spray passing motorists with a Tec-9. Yet.

Derrick Z. Jackson is a Globe columnist.

THE WHITE HOUSE
WASHINGTON

95 AUG 15 P12:23

August 15, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA TYSON *LT*

RE: MEMO ON URBAN STRATEGY FROM SECRETARY HENRY CISNEROS

In the attached memo, Secretary Cisneros argues that now is the time for a Presidential urban strategy. He then goes on to suggest a number of initiatives that could comprise such a strategy.

Although the Secretary's arguments are compelling, his suggested course of action needs further thought for a number of reasons:

1. We just issued an urban report to the Congress outlining the vision and policies that comprise our urban strategy. This report was based on four basic principles advocated by the Secretary, including the principles of empowerment and economic growth.
2. Many of the policies suggested by the Secretary, including community development banks and HUD's Section 108 and Economic Redevelopment Initiative, have already been proposed by the administration in its balanced budget plan. It would be an inappropriate time to request additional funding for FY 1996.
3. Some of the policies suggested by the Secretary, such as tax changes to encourage private investment in urban areas and expansion of the bridges-to-work demonstration project, would require both new policies and new monies and are more appropriate for consideration for possible inclusion in our FY 1997 budget proposal.

It seems to me, and to others at the NEC who have worked with Secretary Cisneros on our urban strategy during the past year, that at this point in time he may be most concerned that urban issues are not getting the priority they deserve in our 1996 budget tactics and message process. Certainly, most if not all of the NEC core economic team believes, as the Secretary does, that our urban problems are severe and that our urban strategy of empowerment and economic development is a new democratic approach we can be proud of. But some of your political advisers are worried that emphasizing urban

problems may raise the specter of traditional liberal approaches that focus on redistribution between rich and poor, black and white, urban and suburban communities. In addition, our message strategy on the budget revolves mostly around Medicare, education, taxes and the environment. Some might feel adding urban problems as another priority at this point in time could confuse the message.

The NEC message team led by Erskine Bowles and myself, working through Gene Sperling, is however designing a plan to demonstrate the stake that metropolitan areas do have in this fall's debate on the budget. Please advise us if you want us to emphasize urban issues more in our current budget strategy.

We could also focus on executive action and Presidential leadership to implement what we have the authority to do, including the empowerment actions proposed in your affirmative action speech. If you are interested, the NEC, working with the Vice President, could also establish an interagency group to begin to analyze the new urban policy proposals suggested by Secretary Cisneros in the attached memo.

Finally, if you are interested, you could consider the degree that key urban investments should be given higher priority in negotiating a final budget deal.

Please let me know how you would like to proceed to address the urban policy proposals suggested by Secretary Cisneros in the attached memo.



U. S. Department of Housing and Urban Development
Washington, D. C. 20410-6000

October 3, 1995

ASSISTANT SECRETARY FOR
POLICY DEVELOPMENT AND RESEARCH

Renaissance Zones

Governor John Engler of Michigan is sponsoring legislation which would create a Michigan program designating Renaissance zones. Under the Michigan plan, the state would forego all tax revenues from a given area, provided that local government does so as well (except for sales tax and any portion of property tax used to pay off bonded indebtedness). Engler distinguishes between these Renaissance or tax-free zones and enterprise zones by noting that, while enterprise zones make substantial reductions in taxes to encourage economic development, tax-free zones are intended to provide complete tax relief in a given area for all purposes: residential, commercial, and industrial.

Currently, the Michigan legislation has been drafted and the Governor's office expects quick passage in the state legislature. The application process could begin as early as Thanksgiving. During this process each county, as well as Detroit and Grand Rapids, may select a zone for development. From this pool of 85 potential applicants, 8 zones will be selected.

Following Governor Engler's proposal for Michigan, Senator Abraham (R-MI) recently introduced S.1252, "The Enhanced Enterprise Zone Act of 1995," which amends the current empowerment zone legislation. The bill calls for the Federal government to establish a pilot program of Tax Free Zones in up to 10 states. This proposal would virtually eliminate taxes within the designated zones and would extend incentives to residential as well as business communities. Senator Abraham's plan expands the Michigan proposal by adding provisions to spur both home ownership and educational choice in the targeted areas.

The Federal government would forego tax revenues from these zones provided that the state and local jurisdictions do the same. In addition to the zeroing out of federal income, wage, and capital gains taxes, zones would qualify for a streamlined process of agency regulatory waivers or modifications; education vouchers for school choice; and homeownership incentives.

Education vouchers will enable most students residing in designated areas to attend any school -- including public, private and sectarian -- within the eligible zone. Also, the bill provides for enterprise zone opportunity grants designated to broaden the homeownership opportunities in the designated areas.

No revenue loss estimates have been developed for either plan at this time.

THE PRESIDENT HAS SEEN
10.5.95

September 29, 1995

Pls read

95 OCT 3

49:17

MEMORANDUM FOR THE PRESIDENT

FROM: Eli Segal *ES*

SUBJECT: AmeriCorps

cc: Leon Furman

Basil Lewis

CORPORATION
FOR NATIONAL
SERVICE

*copies sent
on 10/18/95*

Within days, Harris Wofford will be confirmed as the C.E.O. of the Corporation for National Service, so this memo is probably my last official communication to you on AmeriCorps.

First, I believe the product in the field is excellent. On October 12, you will participate in a swearing in ceremony at the White House for our second class of AmeriCorps. Within a few weeks thereafter, close to 25,000 young people will begin serving in about 450 programs in well over 1,500 communities throughout the country. Like those who preceded them, they will "get things done." There are many measures of success, including program achievements; independent evaluations; political support from Republican Governors and Mayors; and rich partnerships with charities, police departments, school districts, corporations, foundations and other key American institutions.

Second, the product isn't perfect. Like any start-up, especially a decentralized one, not every aspect worked as smoothly as I would have liked. We have de-funded a handful of programs (only two of which were related to their political activities). We have had some rocky sledding with some of our new state commissions. Recruitment of members is less than ideal, leading to a higher attrition rate than we'll see in the future. All in all, however, I see no major headaches--although those who oppose us are scouring America for them.

Third, the message. On this, I'm afraid the superior discipline of the Republicans, in partnership with conservative think tanks, is beginning to have its effect. For many months, we have been waging a message battle and believe we have more than held our own--until the recent GAO Report--or more accurately until the Republican spin on the GAO Report. What was in reality GAO's endorsement of our position is now too-widely perceived to be "the \$27,000 paid volunteer". Our themes of "common ground" and core values, still resonate (87 percent of registered voters support

*is well, we are not
the 2 line above*

1201 New York Avenue, NW
Washington, DC 20525
Telephone 202-606-5000

Getting Things Done.
AmeriCorps, National Service
Learn and Serve America
National Senior Service Corps

Memorandum for The President
September 29, 1995
Page Two

AmeriCorps, even with its costs, according to a just completed Gallup Poll), but we have to find fresh ways to sell national service as smart government--decentralized, no new bureaucracy and cost effective. That the most engaged legislators are now our opponents (Chuck Grassley and Pete Hoekstra) is particularly anxiety producing. In this context, I expect a tough House oversight hearing in two weeks where one extra line of attack will be that politics has an undue influence on our grant making process.

Fourth, the politics. Despite our defeat on the Floor of the Senate the other day, it's clear that Republicans know they will need to fund national service for FY '96. My instinct, therefore, is not to use the bully pulpit too aggressively on this one (unless doing so might be driven by re-election considerations). Too public a win on funding might hurt what will be difficult negotiations on reauthorization in early 1996. There are several significant issues on reauthorization which will require your time and judgment but more on that at a later point.

Fifth, the new leadership at the Corporation For National Service. Harris comes at national service through a different prism than I. Mine was shaped entirely by the 1992 campaign and my objective to make this a fundamental part of your legacy. Harris comes from a 30 year engagement in this issue. There will be a few what I believe to be modest midcourse corrections under his leadership, the details of which will evolve in the weeks ahead. They are a product of his experience and the changes in the political landscape since AmeriCorps became the law of the land. Essentially, he will try to emphasize nonpartisanship even more than the first year by: (a) focusing more attention on our products other than AmeriCorps (particularly Senior Corps [a special opportunity in the context of our Medicare fight] and Learn and Serve and our partnership with the Points of Light Foundation); (b) reaching out even more aggressively to Republican opinion leaders, Governors and former Presidents; and (c) de-emphasizing your **public** identification with AmeriCorps until after our legislation is reauthorized.

I share his judgment on these matters (you will always be identified with what has almost derisively become known as your "*pet project*") but want to make sure you are not uncomfortable with it. For example, one could take the opposite tack, putting as much pressure on our opponents as possible with a high profile campaign featuring the AmeriCorps members "*getting things done*". I fear, however, that would take too much of your time and would complicate reauthorization.

Finally, I want you to know that with all its frustrations, this experience has been the most exhilarating of my life. My thanks for your confidence in me and your support every step of the way. If we can get by this reauthorization hurdle with AmeriCorps substantially intact, I am confident that by 2000 we'll have an institution in which Americans will delight.

TO NSC
to prepare
reply before
we send to
φ

THE WHITE HOUSE
WASHINGTON

10/18/95

NSC:

Please prepare a response for
the President and forward it
to my office.

Thanks.

Todd Stern



F A X
EMBASSY OF THE
UNITED STATES OF AMERICA
Santiago, Chile
AMB FAX 562-232-4793
AMB TEL 562-330-3601

DATE: October 17, 1995

TO: The Honorable
Mack McLarty

FROM: Amb. Guerra

FAX: 202-456-2215

2464

Mack, please pass to the President, thank you.

COPY FOR MACK

ORIG OF ATTACHED FOR POTUS.

EMBASSY OF THE
UNITED STATES OF AMERICA
SANTIAGO, CHILE

October 17, 1995

THE AMBASSADOR

PERSONAL

Dear Mr. President:

What a pleasure and honor it was to have Hillary here with us in Santiago. It was a most successful trip. President and Mrs. Frei were delighted with the visit. As usual, Hillary was just perfect. She quickly gained the love and respect of the Santiaguinos. For Alicia and me, the visit was the highlight of our almost one-year stay here in Santiago representing you and our country.

I am confident you will be reelected next year, so I do hope you do plan to come to the southern cone in the spring of 1997. As Hillary mentioned to you, literally right next door to the official residence there is Santiago's best golf course. You just have to jump the fence.

It was great to see you in mid-September. Keep up the good work. It shows. We are going to win.

Your loyal friend,



Gabriel Guerra-Mondragón

P.S. Andrew did a great job as the head advance; wonderful young man.

The President
The White House
Washington



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

(Chron)
THE PRESIDENT HAS SEEN
10/15/95

THE DIRECTOR

October 13, 1995

95 OCT 13 AM 11:52

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin *AMR*

SUBJECT: Welfare Reform -- Moving to Conference

*Leon/Emmanuel**Mac Miller**For**cc: Bruce Reed
Rahm Emanuel*

Last month, the Senate passed a welfare reform bill that represents a significant improvement over the bill the House passed last March. Senate conferees will be pressured to compromise on the bill's provisions with their House counterparts, weakening improvements in many areas, such as the added child care funding, a State maintenance of effort provision and fewer benefit restrictions. These would be serious losses. If there is to be a bill that the Administration can approve in good conscience, it is imperative that we act to prevent erosion of the Senate bill's gains and, wherever possible, make improvements. We should tell the conferees clearly that where the House and Senate bills differ on a major issue, the House provisions are unacceptable and that a move to adopt them jettisons the possibility that the bill can be signed.

But movement towards the House bill is not our only problem. The ~~Senate bill still has serious shortcomings.~~ Specifically, it ~~includes a very modest countercyclical mechanism, limited resources for child care and job training, and deep cuts in the SSI kids and immigrant provisions.~~ The food stamps block grant proposal also raises very serious concerns that will be highlighted in communications that we send to the Hill.

This memo highlights the key differences between the House and the Senate bill and flags key concerns.

MAGNITUDE OF THE BUDGET CUTS

After lengthy deliberations this summer, you proposed \$38 billion in 7 year savings in all low income non-health entitlements. The Congressional Budget Resolution cuts far deeper in this area than the President's budget (about \$110-120 billion over 7 years). The savings in the welfare bill represent the major component of these savings goals.

As this memo highlights, the budget cuts in the Senate bill, while major improvements, still create serious problems. If the conference moves closer to the House cuts, the problems worsen.

The following table summarizes the savings in the welfare bills. If a welfare bill is enacted as a freestanding bill, then the

Congress will be close to its budget targets for low income non-health entitlements (except for EITC, Social Services Block Grant, and some additional food stamps savings). It is clear that any final welfare bill will include considerably deeper cuts to these programs than you have proposed.

WELFARE BILL SAVINGS

(\$ billions over 7 years, CBO, net of discretionary cap adjustments)

	<u>President's Plan*</u>	<u>Senate Bill*</u>	<u>House Bill*</u>
AFDC/JOBS/Child Care/ CSE/Child Protection	0	-4	-16
Immigrants, SSI for Drug Addiction & Alcoholism and for Kids	-13	-31	-44
Nutrition (excl. Immigrants)	<u>-20</u>	<u>-31</u>	<u>-42</u>
Total	-33	-66	-102

*Does not include EITC or Title XX Savings, or additional cuts Congress is including in reconciliation bills.

THE AFDC BLOCK GRANT

The Senate bill made many major improvements. More resources are provided, particularly for child care. States must maintain some level of effort to receive federal support. States would receive bonuses for moving recipients into jobs, although this funding could come at the expense of states with weak economies. The punitive mandates such as the family cap and teen moms restrictions included in the House bill are gone. The foster care program is not block granted or cut drastically. Work requirements are more responsible. A more realistic proportion of welfare moms are exempted from the work requirement. And states would have access to a contingency fund to provide added resources in an economic downturn. These are very important improvements to the House bill that should be retained.

While the Senate made the AFDC block grant much more acceptable, there are still two significant problems with the Senate bill that we need to try to improve in conference:

Funding for the Block Grant: The first problem deals with overall funding levels, particularly for training and child care. The Senate bill toughens work program requirements on States while providing nearly flat funding at the FY 1994 level for AFDC cash benefits and work programs, and still underfunds child care. Devolving responsibilities to States would be a much safer proposition if adequate federal support was provided. Given the low overall level of Federal funding for the proposed block grant, States will be forced to make tough choices -- either significantly increase their own resources, cut the level of cash benefits, mandate some of the punitive restrictions included as options in the Senate bill, forego child care for some children, and/or forego meeting the work requirements. The fiscal bind on States will worsen over time.

Contingency: A second major problem with the Senate bill relates to the contingency fund. The Senate established a very important principle when it agreed to provide added resources during a recession. But the funding level is insufficient. Between 1989 and 1993, a period encompassing the last national economic downturn, AFDC caseloads grew by roughly 32%, and total Federal AFDC expenditures grew by \$8 billion. The provision in the Senate bill provides a total of \$1 billion in countercyclical assistance over five years. This is a pitifully small amount -- just 1% of Federal program spending for the proposed AFDC, JOBS and child care block grant over seven years. Clearly, the contingency in the Senate bill would not have been adequate in the last recession, and it is extremely unlikely to provide a meaningful cushion in future downturns. Indeed, funds will likely run out in the early months of the next recession.

NUTRITION PROGRAMS

On three out of four counts, the changes to the nutrition programs in the House version of the bill are much worse than the Senate version. The House welfare bill would:

- (1) create block grants for the child nutrition programs including school lunch and WIC,
- (2) cap the overall level of food stamps spending, so that a recession could cause a nationwide reduction in benefits,
- (3) cut food stamps benefits by about \$39 billion over 7 years, reducing benefits by almost 25% in FY2002 and almost 30% by FY2005, and
- (4) establish an optional food stamps block grant -- but only for those states with a fully established comprehensive electronic benefit system (EBT) to replace food coupons.

(1) School Lunch and WIC: Our strong opposition to the House child nutrition block grants and the food stamps cap was effective in the Senate. The Senate bill rejects these two policies. We need to win this issue in conference.

(2) Food Stamps Cap: There is no substantive rationale for capping one entitlement program. We need to eliminate the food stamps cap or address the issue as part of an overall solution on limiting entitlements.

(3) Budget Cuts: The Administration's budget proposal was fashioned to reduce spending in the Food Stamp program while preserving uniform, national eligibility for most of those currently entitled to the program. Our seven year food stamps savings are \$19 billion. While our spending cuts proposal is tough and the Senate proposal very tough (about \$28 billion), the House proposal can only be characterized as downright draconian. We need to try to hold the line on the Senate level of cuts.

(4) Food Stamps Block Grant: The one area where the House bill is preferable to the Senate relates to the food stamps block grant. We have always maintained that the preservation of a national food stamp entitlement program is critical if there is to be an AFDC block grant. A national nutrition program helps to moderate the effects of the AFDC changes on low income families. The House provision requires that States only be allowed to block grant food stamps only after they are able to provide food stamps electronically via Electronic Benefit Transfer (EBT) and that they dedicate all of the benefit monies to food assistance. The EBT requirement will delay State's decisions to block grant food stamps for several years.

Essentially, the Senate's food stamp block grant endangers the ~~national program by taking a big step towards abdication of the national role in combating hunger.~~ Because the Congress plans to cut the program so deeply, many States, at least initially, will receive less federal funds if they stay in the national program rather than opt into the block grant. And if a large number of states opt out of the uniform entitlement, political support for the program will fall. In addition, since the bill requires that only 80% of the block grant be used for food assistance, the States who chose the block grant could make even deeper nutrition cuts. The remaining 20% of the grant can be used for non-nutrition purposes, making up for fiscal pressures elsewhere.

In conference, we need to significantly tighten up the food stamps block grant, stop the House child nutrition block grants and the food stamps cap and try to keep overall savings in the range of the Senate bill.

BENEFITS FOR IMMIGRANTS

Both the House and Senate bills virtually eliminate benefits to legal immigrants. If these proposals become law, billions of dollars in costs may be shifted to States with high immigrant populations unless the States also choose to restrict benefits. House and Senate immigration savings amount to \$26 billion and \$19 billion, respectively, over the next 7 years. Your budget plan, on the other hand, proposed only \$5 billion in cuts affecting immigrants. The House bill -- the more severe of the two approaches -- would ban from the rolls over 1 million immigrants currently enrolled in either SSI, Medicaid, or food stamps.

While the Senate legislation on immigrants is considered less drastic than the House bill, it still makes dramatic changes. The Senate bill denies SSI benefits to approximately 400,000 elderly and disabled non-citizens currently receiving benefits -- almost all immigrants now on the SSI rolls. For all Federally funded, needs based programs, including Medicaid, the bill would limit access to benefits for many immigrants currently in the country and would ban most new immigrants from a wide range of benefits for 5 years after entering the country. The Senate bill would also deny benefits to naturalized citizens for up to seven years after they become Americans (the Vice-President has expressed the Administration's opposition to this provision). Under the Senate bill, working poor legal immigrants would become ineligible for benefits despite employment, even if they become disabled.

* A number of provisions could make the legislation more acceptable. First, benefits could be allowed for naturalized citizens. Second, benefit termination could be limited to cash benefits, thereby continuing Medicaid and social services for poor immigrants. Immigrants who work, regardless of their income, could be made eligible. Finally, exemptions could be made for current SSI recipients and/or immigrants who are very old or become disabled after entering the country. All of these proposals have substantial merit, but would significantly reduce savings. The Congress will strongly resist efforts to soften the immigrant provisions.

SSI

The Senate bill is vastly preferable to the House bill on its approach to reforming the children's SSI disability program. The House bill cuts \$14 billion over 7 years and terminates all cash assistance to 170,000 kids now on the rolls and 875,000 future applicants by the year 2000 (only 20% of future applicants who would have been available under current law would receive cash assistance). State administered support services would be provided to about half of the eligible kids denied cash benefits through a new Federal block grant.

The Senate bill does not cut eligibility as deeply and continues cash benefits for all eligible children. But the Senate bill would still terminate benefits for 170,000 disabled kids now on the SSI rolls and another 225,000 future applicants by the year 2000. The Senate bill saves nearly \$9 billion over 7 years, compared with \$5 billion in your plan. Both the House and Senate bills go too far; we could argue for a final bill that makes special arrangements for kids already on the rolls, although this would reduce savings.

We also have concerns about a little noticed change in the SSI eligibility rules. The Senate's bill already raises the age requirements from 65 to 67 for elderly poor applying for SSI, in line with age requirements for full Social Security benefits. For those who do not meet the restrictive definitions of disability and lack sufficient Social Security benefits, SSI is often vital in filling the gap. This provision, which was added to the Senate bill at the last minute, should be dropped.

CONCLUSION

As outlined in this memo, we believe that the Senate bill, while vastly preferable, still has shortcomings, and some problems can't be fixed without added resources. We need to try to fix the Senate problems. But-- at a minimum-- if we aren't in a position to strengthen the Senate bill, we have to push hard to maintain the gains won in the Senate and to draw the line on additional cuts in low-income programs.

The central focus of White House communication on welfare reform to date has been that welfare reform should be tough on work and fair to children. But there are other issues as well. We are currently working with relevant White House offices to develop an Administration statement on the bill that includes issues raised in this memo.

DRAFT LETTER ON ENDA: October 13, 1994

James -
As we
discussed.
Ted on a
copy.

Dear Ted:

Thank you for your letter informing me that Senator Jeffords and you have reintroduced the Employment Non-discrimination Act in the current session of Congress.

As you know, discrimination in employment on the basis of sexual orientation is currently legal in 42 states. Men and women in those states may be fired from their jobs solely because of their sexual orientation, even when it has no bearing on their job performance. Those who face this kind of job discrimination have no legal recourse, in either our state or federal courts. This is wrong.

No one should be denied a job on the basis of something that has no relationship to their ability to perform their work. Sadly, as the Committee documented last year, this kind of job discrimination is not rare. Cases of job discrimination on the basis of sexual orientation are seen in every area of our country.

The Employment Non-Discrimination Act, however, is careful to apply some exemptions in certain areas. I understand that your bill exempts small businesses and the armed forces. It also exempts religious organizations, including schools and other educational institutions that are substantially controlled or supported by religious organizations. This provision respects the deeply held religious beliefs of many Americans. *which belief is essential*

Moreover, your bill specifically prohibits preferential treatment on the basis of sexual orientation, including quotas or any form of affirmative action. It also does not require employers to provide benefits.

The bill therefore appears to answer all the objections previously raised against it, which
~~What it does do is ensure~~ ^{legislation} that Americans, regardless of their sexual orientation, can find and keep their jobs based on their ability and the quality of the work. The Employment Non-Discrimination Act, is designed ~~to~~ to protect the rights of all Americans to participate in the job market without fear of unfair discrimination. It has my support.

Sincerely,

Bill Clinton

10/16
George S. 5

POTUS does

not need to

sign until

Thursday

Naum/GS
with about the condition. OK?
Be

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 10-17

TO:

✓ C-20 / R.

FROM: Staff Secretary

FYI - Leon
has asked that
this go to President.
ordif

THE WHITE HOUSE
WASHINGTON

October 5, 1995

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: RAHM EMANUEL

SUBJECT: PRESIDENTIAL COMMISSION ON ADOLESCENT DRUG USE

Attached please find a list of suggested members for the President's Advisory Commission on Adolescent Drug Use. The list has been approved by Dr. Brown.

The sooner we get sign off on this, the sooner we can have a commission in place. Please let me know how you would like to proceed.

*To The President
for approval.
C*

TO: RAHM EMANUEL

FROM: DENNIS BURKE
BOB WEINER

RE: POTENTIAL MEMBERS FOR AN ADVISORY
COMMISSION ON ADOLESCENT DRUG USE.

As you requested, we have compiled a list of potential members for the President to chose from for the commission. We suggest that you recommend Sterling Johnson, who is a Federal District Court Judge in the Eastern District of New York appointed by President Bush, as the Chairman of the Commission. Johnson is an African-American and has served as a Special Narcotics Prosecutor in New York as well as-a police officer.

Other potential members:

Ann Richards (Texas): Former Governor of the State of Texas, who has publicly admitted her prior substance abuse. She could be considered the co-chair of the commission to give it a more well-known spokesperson.

Former Members of Congress:

Bill Frenzel (Minnesota): Former Republican Member of Congress who is now at the Brookings Institute. Frenzel is considered a moderate and reasonable Republican and he was somewhat active on this issue.

Frank Guarini (New Jersey): Former Democratic Member of Congress, Guarini was a Member of the House Narcotics Committee, is well respected and loyal. Our first choice would be Bill Hughes, who was Chairman of the Crime Subcommittee and a former prosecutor, but we understand that Hughes has been confirmed to be Ambassador to Panama.

Substance Abuse Community:

Jim Burke (New Jersey): President of the Partnership for a Drug Free America and the originator of the idea of a commission.

Tad Foote (Florida): As the current President of the University of Florida, Foote is the former President of CADCA, Foote provides 2 good reasons to put him on the commission.

Joe Califano (New York Area): Califano is President of the Center on Addiction and Substance Abuse (CASA), at Columbia University and is the former Secretary of H.E.W.

under the Carter Administration.

Mayors:

David Dinkins (New York): Former Mayor of New York City, Dinkins actually had a pretty good record on this issue.

Richard Berkley (Kansas City): Berkley, a Republican, is the former Mayor of Kansas City Missouri and the former President of the U.S. Conference of Mayors. He was very active in the drafting of the 1988 Drug Bill on behalf of the cities.

Lincoln Chafee (Rhode Island): Chafee, the son of Senator Chafee, is the Mayor of Warwick, Rhode Island and is a Republican,

State Attorney Generals / Judges:

Mike Moore (Mississippi) / Skip Humphrey (Minnesota): The commission should have a State Attorney General to represent prosecutors. Either of these 2 Democratic State AGs would be good representatives since they are well known and activists.

State Juvenile Justice/ Drug Court Judge: The Commission should also have a juvenile justice or drug court judge representative. Jeffery Tauber, who is Municipal Judge from Oakland and the President of the Drug Court Judge's Association would be a good candidate. We would then have a commission member who would strongly advocate the drug court program. The National Council of Juvenile and Family Court Judges recommended some juvenile justice judges, one of whom, Sharon P. McCully, is from Salt Lake, which could be helpful down the road.

Medical Profession:

T. Berry Brazelton (Minnesota). Brazelton is a nationally-known pediatrician, who has been very active on children's issues and has a T.V. show call "What Every Baby Knows."

Antonio Novello (Maryland). Novello, who is hispanic, was Surgeon General for Bush.

Law Enforcement:

Gil Gallegos (New Mexico). Gallegos, who is also hispanic, is the current President of the Fraternal Order of Police. He is constantly talking about the drug issue and has been very active in the Albuquerque community on this issue.

Beverly Harvard (Georgia). Harvard, an African-American woman, is the the Police Chief of Atlanta, Georgia.

T.V. Celebrities:

John Walsh (Florida). Walsh, the host of "America's Most Wanted," also started the Center for Missing and Exploited Children. He is a Republican but will campaign for anyone he believes is committed to missing children issues (e.g. Paul Simon). He is very respected in the law enforcement community.

Edward Olmos -- Professional actor, Olmos, who is hispanic, has been very involved in the issues of gangs and drugs.

Athletes:

Dominic Dawes (Maryland): African-American student at the University of Maryland, Dominic is the 1994 and 1995 National gymnastic champion.

Barry Bonds -- All-Star outfielder for the San Francisco Giants, Bonds recently contacted the White House offering his services for the Administration. With regards to professional athletes, it appears that a baseball player would be the only one to have an off-season during this commission.

Clergy:

Fr. George Clemens (Chicago). Clemens would a religious representative on the commission; he started the program "1 Church, 1 Addict."

Corporate America:

David Geffen (California) -- CEO of Geffen Records, Geffen is also involved with Dreamworks. Someone like Geffen would be helpful in order to spur some private efforts to increase awareness, etc. after the commission is concluded.

John C. Carson -- Carson is the CEO/ President of RC Cola. RC Cola just agreed to change their label because of its likeness to beer. RC Cola would probably be thrilled to be asked to participate over its competitors and agree to be involved in a private effort to increase awareness as part of the commission's recommendations..

Teacher / Student:

Student Representative. Although Dawes might be enough, we might want to consider adding a student representative, who could provide more of a real story as to the current perspective of teens to drugs. A good candidate would be Karina Martinez, 19, who

sat with the President during the recent Santa Ana event because she is the 1994 Youth of the Year at the local Boys and Girls Club in Santa Ana. This is someone we know who witnesses adolescent drug abuse on a daily basis.

Teacher of the Year -- It would be important to have a high school teacher on the commission.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
10/15/95

95 OCT 13 P 9: 59

OCTOBER 13, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: SUMMARY OF CABINET WEEKLY REPORTS
OCTOBER 8-14

PS -
P.7 (Leon, Doug, Wilbur)
P.8 (C. O. Long)
P.12 (J. Quinn, K. G. G. G.)
P.2 (Laurie)
P.3 (C. ")
P.4 (2 B. B. B.)
P.7 (C. ")

Budget Impact on Rural America: In over 100 events in 32 states, nine Cabinet Secretaries, 63 Sub-Cabinet officials from 12 Departments, and 24 regional administrators addressed the impact that Republican budget cuts will have on rural communities. Media coverage of the rural impact events was extensive, particularly with the press in targeted local markets. Next week, Cabinet and sub-Cabinet Members will participate in events, throughout the Midwest, in preparation for the Midwest Regional Economic Conference on Friday.

Update on Federal Emergency Management Agency response and recoveries to Hurricane Marilyn, Hurricane Opal and floods in Alaska: Due to the flooding related to Typhoon Oscar, you signed a major disaster declaration for the State of Alaska, today at 11:45 am. In addition, the counties of Jackson and Franklin were added to Florida (FEMA-1069-dr, effective October 12, 1995) for Individual Assistance, Public Assistance and Hazard Mitigation Assistance. In Florida all major roads are open; a few minor state routes are closed. USDA reports that the State's food supply system is working well. The Public Health Service (PHS) reports that the State of Florida is capable of handling health and medical requests. The Department of Energy reports that it does not appear that there will be a need for federal assistance to restore electricity.

DEPARTMENT OF TREASURY

- **Secretary's Schedule:** On Tuesday, October 17, Secretary Rubin will address the International Association of Chiefs of Police Meeting in Miami. On Thursday, October 19, he will meet with Chairman Greenspan and attend the Midwest Regional Economic Conference on Thursday.
- **Olympic Coins:** US Mint Director Diehl will travel to Egypt next week to launch the Olympic Coin program in conjunction with the Arab Bank Group, one of the largest banks in Egypt. He will present the Olympic coins to President Mubarak at the Presidential Palace. The official launch and press conference will take place on October 16 at the headquarters of the Arab Bank Group.

- **Senate Waco Hearings Scheduled:** On October 31 and November 1, the Senate Judiciary Committee will hold hearings to investigate the Branch Davidian incident in Waco, Tex. Treasury officials met with Democratic committee staff to discuss these upcoming hearings. A witness list and order of appearance are still open discussion items with Committee staff.
- **Reauthorization of Federal Law Enforcement:** The House Judiciary Committee's Subcommittee on Crime plans to hold hearings on October 18 and November 8 on reauthorizing Federal law enforcement. The first day of hearings may focus on a GAO review of duplication in law enforcement. The second day will investigate the proper jurisdiction and basic structure of law enforcement which will probably include an examination of moving ATF to the Department of Justice. Treasury has received a request from GAO to start this review, and a response from the enforcement bureaus is being prepared. The hearings will be delayed if the review is not completed by October 18.
- **Militia Hearing Scheduled:** On November 2, the full House Judiciary Committee will hold hearings on the militia movement. These hearings were requested by Rep. Conyers during the recent Waco hearings. A witness list is not yet available. The Committee staff has informed the Treasury Department that there will not be any federal law enforcement witnesses.
- **Mexican Debt Prepayment:** Mexico's prepayment of \$700 million of the \$1.3 billion due October 31 has raised a number of concerns from both supporters and detractors of the Mexican support program. Specifically, prepayment has obstructed Treasury's ability to do any more low profile rollovers of Mexican debt. To address anticipated negative reaction from Senate Banking Committee Chairman D'Amato and others, Treasury will develop a strategy to explain that rollovers remain consistent with the fundamentals of the program, and were always expected. This will provide legitimate defense to supporters of the program from claims that they were misled regarding Mexican repayment of outstanding disbursements from the ESF.

Explain (don't understand)
- **Revised Regulation for Examination of Baggage:** Treasury has published a final regulation which will more clearly reflect Customs' statutory authority to open and inspect baggage and vehicles without the permission of the owners. The current regulations are more restrictive than the statutes and could expose Customs to litigation.
- **Child Pornography Crackdown:** Approximately 35 search warrants that were executed in an ongoing series of anti-child pornography cases is likely to draw media attention across the United States. Beginning October 5, special agents executed warrants in as many as 20 cities in search of illegal child pornography materials distributed via a computer bulletin board service. Customs officials are working with press to prevent premature publication of an article which could hinder future search warrants.

*CC: GS
5/10/91*

DEPARTMENT OF COMMERCE

- **Secretary's Schedule:** Secretary Brown will travel to China on October 14 for the biannual meeting of the Joint Committee on Commerce and Trade. While in China, he will announce the formation of a U.S.-China Business Development Council.

- **Malcolm Baldrige Awards:** On October 13, Secretary Brown notified the comp. the 1995 Malcolm Baldrige National Quality Award. The awards will be publicly October 16.
- **Commerce will Release the Following Economic Data:**

Manufacturing and Trade: Inventories and Sales for August 1995	October 16
U.S. International Trade in Goods and Services for August 1995	October 18
Housing Starts and Building Permits for September 1995	October 19

Commerce will also release *Households and Family Characteristics*, an annual report detailing national data on households and families.
- **Commerce Dismantling Legislation:** The Department of Commerce expects the House Rules Committee to report out Commerce dismantling legislation next week as part of the Kasich reconciliation measure.
- **South Africa McDonald's Corporation Trademark Case:** On October 6, the Pretoria Supreme Court decided in favor of a South African businessman who applied for use of the trademarks, claiming that a now-extinct "use or lose" statute in South African law supported his claim to the marks. McDonald's argued that sanctions against South Africa presented special circumstances and an exception should be made. An appeal is pending, and McDonald's is moving ahead with plans to open two stores in south Africa in November. Commerce and USTR have worked together to encourage the Registrar to hold public hearings on this case and others affecting U.S. companies. South Africa remains on the Special 301 watch list.

DEPARTMENT OF LABOR

- **Garment Manufacturers Events in NYC:** On October 17, Secretary Reich will participate in two events in New York in conjunction with the American Apparel Manufacturers Association (AAMA) annual meeting. He will release a list of approximately 35 manufacturers who are already assisting DOL's labor law compliance efforts and will challenge large garment manufacturers to join in the Department's compliance efforts in the coming weeks. On November 24, DOL will release an updated list of manufacturers who have joined the compliance effort.
- **Commission on Family and Medical Leave Report Release:** On October 19, the National Commission on Family and Medical Leave will release research data on who is using the FMLA and why. The press conference will be hosted by Senator Dodd.
- **GI Bill for America's Workers:** The Senate passed Senator Kassebaum's Workforce Development Act (S.143) on October 11 by a vote of 95-2. Two amendments which the Department of Labor strongly supported were adopted on the floor. Senators Moynihan and Kennedy were able to strike the repeal of Trade Adjustment Assistance(TAA) from the bill; Senators Simon and Specter led the fight to retain Job Corps as a national program. Also, pre-floor negotiations led to agreements on a modified skill grants program for dislocated workers and funding for dislocations due to mass layoffs, base closing or natural disasters. Senator

*Am
M*

Kassebaum has expressed an interest in moving to conference as quickly as possible, hope of concluding the conference before Thanksgiving.

- **Affirmative Action Hearing:** On October 18, a House Judiciary Committee's subcommittee chaired by Rep. Canady and a Senate Judiciary Committee's subcommittee will hold a joint hearing on affirmative action. The hearing will deal with the economic consequences of affirmative action. The House Subcommittee is also planning an additional hearing that will deal with Rep. Canady's bill (H.R. 2128) to prohibit use of racial and gender preferences in federal programs.
- **UAW Votes to Strike Ford Plant in Ohio:** The United Auto Workers have voted to strike Ford Motor Co.'s Lorain, Ohio assembly plant if local contract issues are not resolved by midnight, October 13. The UAW represents some 3,600 hourly workers at the Lorain facility, which produces Ford Thunderbirds, Mercury Cougars, and Econoline vans.
- **Minneapolis-St. Paul Transit Strike:** On October 10, some 2,100 bus drivers, mechanics, and other support workers, represented by the Amalgamated Transit Union, struck the Minneapolis-St. Paul regional transit system. The principal issues in the dispute are wages and management's proposal to increase the number of part-time employees.
- **American Airline Flight Attendants Awarded Wage Increase:** Concluding that "concessions are unwarranted," on October 10 a panel of arbitrators awarded some 20,000 flight attendants at American Airlines wage increases based on wages paid by United Air Lines and Delta. Denise Hedges, president of the Association of Professional Flight Attendants, hailed the arbitrators' decision and indicated that the new six-year contract provides increases of 17 percent and results in wage parity with the other major airlines.
- **Newspaper Guild Votes to Merge with CWA:** The 30,000 member Newspaper Guild has voted to merge with the Communications Workers of America. The CWA represents 478,000 workers. The Guild will become an affiliate of the CWA until the merger is finalized in the summer of 1997.
- **AFL-CIO Membership Drops Since Last Convention:** AFL-CIO affiliated unions represent about 13 million workers, a decline of some 292,000 since 1993. The ten largest unions in the federation are: Teamsters--1,285,000; State, County, and Municipal Employees-- 1,183,000; Service Employees--1,027,000; Food and Commercial Workers--983,000; Auto Workers--751,000; Electrical Workers--679,000; American Federation of Teachers--613,000; Communications Workers--478,000; Machinists--448,000; Steelworkers--403,000.

DEPARTMENT OF TRANSPORTATION

- **FAA Inspectors:** On October 15, the New York Times will print a story criticizing the FAA's general management and training of its Aviation Safety Inspectors. The White House has worked aggressively to insure that the Administration's position is reflected in the story. Secretary Pena spoke to the reporter on Wednesday. In July, Administrator David Hinson announced Challenge 2000 - a comprehensive review of the FAA's regulation and certification capabilities. As of June 30, 175 inspector personnel were added and the FY 1996 budget proposed an increase of 237

*Enthusiasm
are we
doing an
all can on this?
Real important*

additional inspectors. However, it is anticipated that Congress will only allow funding for one-half of the additional inspectors. DOT is expected to put out a statement Sunday in response to the story.

- **FAA Reform Article:** October 16, the New York Times is likely to run a more positive story about the FAA Reform Program. DOT, FAA and the White House have worked to insure that the Administration's position is strongly reflected. Elaine Kamarck is scheduled to be interviewed for the story.
- **Amtrak Train Derailment:** On October 9, National Railroad Passenger Corporation (ATK) passenger train No.1 (the Sunset Limited) derailed near Hyder, AZ. The FBI has taken over as the lead federal investigating agency and the Federal Railroad Administration (FRA), NTSB, Amtrak, and the Southern Pacific Railroad are supporting the FBI in this investigation. On October 10, DOT officials had a conference call with CEOs and COO's of the Class I railroads, Amtrak, and the Association of American Railroads (AAR) to discuss measures for increased railroad system security. At a follow-on meeting on October 11, discussions with Amtrak and AAR focused on developing a more comprehensive railroad security program.
- **Heightened Aviation Security Measures:** Level III aviation security contingency measures have been fully implemented without causing undue interference with airline and airport operations. Air carrier implementation of the passenger bag match measure has gone smoothly. Some airports have elected to close parts of their parking areas near terminals rather than search vehicles. Vehicle searches have not resulted in undue delays. FAA security agents are intensively monitoring the implementation of Level III measures.
- **International Aviation - U.S.-Great Britain:** Talks on the second-stage liberalization package with the U.K. resumes on October 16 in Washington. Agenda items include new Heathrow/Gatwick opportunities for the U.S., liberalization of cargo, charters, and pricing; and U.K. access to U.S. Government-financed traffic.
- **Unapproved Aviation Spare Parts:** On October 12, the FAA issued a task force report that proposes an aggressive program to ensure the highest level of aviation safety and eliminate potential risks posed by the entry of "unapproved parts" in U.S. aviation. The program will clarify policies, establish a program office to deal with the issue, expedite rulemaking and take a number of other measures to address this problem.

DEPARTMENT OF JUSTICE

- **Certiorari Granted in Virginia Military Institute (VMI) Case:** On October 5, the Supreme Court granted the Solicitor General's petition for a writ of certiorari in *United States v. Commonwealth of Virginia* to review the Fourth Circuit's judgment approving a remedial plan for the unconstitutional exclusion of women from the Virginia Military Institute (VMI).
- **Attorney General's Schedule--Highlights:** On October 13 and 14, Attorney General Reno travels to San Diego, CA to mark the first anniversary of the border control initiative called Operation Gatekeeper. She will meet with local public and law enforcement officials, border patrol agents, and other INS officials to discuss Gatekeeper. She will tour various INS

facilities and checkpoints and will announce the next steps the Administration plans to take to secure the border in California. On October 16, the Attorney General will deliver remarks on domestic terrorism and juvenile violence at the First General Assembly of the Annual IACP Conference.

- **Great Lakes Dispute Enters Mediation:** The parties in *Wisconsin v. Illinois* have agreed to pursue alternate dispute resolution rather than litigation. This case concerns the diversion of water from Lake Michigan by Illinois for Chicago's municipal supply and maintenance of navigation and water quality in the Chicago River and various channels in Illinois, the eight Great Lakes States and the U.S.. Representatives of the Great Lakes States, the Corps of Engineers, EPA, USGS, DOJ and State Department officials will convene in Chicago on October 23, for an organizational meeting by the Corps of Engineers.
- **INS Reopens Search for New Border Patrol Training Site:** More than 2 months after selecting the Charleston, South Carolina Naval Base as an additional site for Border Patrol training, the INS has been forced by unanticipated problems there to reconsider other sites.
- **First Significant Settlement Reached Under the Procurement Integrity Act:** In the first significant settlement nationwide under the civil provisions of the Procurement Integrity Act, Management Sciences for Health (MSH), a Newton, MA company, and Dr. Edgar Necochea, a former government employee, have paid \$400,000 to settle the Government's claims that they violated a federal law aimed at enforcing ethical conduct in the government contracting process.
- **San Diego Seeks To Dissolve Hiring Decree:** On September 29, San Diego County filed to dissolve the Consent Decree in *United States, et. al v. County of San Diego, et al.* (S.D. Cal.), an employment discrimination pattern and practice case resolved by settlement in 1977. The county claims to now employ overall sufficient numbers of minorities and women to meet the terms of the decree and, further, that affirmative action required by the Decree is no longer justifiable under *City of Richmond v. J.A. Croson Co.* and *Adarand Constructors, Inc. v. Pena*. A hearing has been set for November 20. The United States' response is due November 6.

U.S. TRADE REPRESENTATIVE

- **Ambassador's Schedule:** Ambassador Kantor will travel to Israel, England, and Spain between October 15 and 24. In Israel, he will reaffirm the central importance of the U.S.-Israel relationship, discuss trade measures to further the Middle East Peace Process, emphasize the importance of trade to both countries, and address several bilateral trade issues including agricultural market access. In England, Ambassador Kantor will attend the QUAD Ministerial with EU, Japanese, and Canadian trade ministers and hold bilateral meetings with all participants. In Spain, he will develop the trade announcement for the U.S.-E.U. Summit to be held on December 3 in Madrid, Spain.

SMALL BUSINESS ADMINISTRATION

Small Business Lending Enhancement Act: On October 12, you signed into law S. 895, the "Small Business Lending Enhancement Act of 1995." Depending on final SBA FY96 appropriations, this legislation will enable SBA to guarantee between \$9.5 and \$12.4 billion in 7(a) business loans, and approximately \$2.5 billion in Certified Development Company loans. The new law revises the fees and the percentage of a 7(a) loan that SBA can guarantee. It also slightly increases the fees collected on SBA's Certified Development Company (504 Program) loans. Enactment of this law means that the beneficiaries of SBA loan guaranties -- borrowers and lenders -- will bear more of the cost of their loans, thus saving American taxpayers more than \$100 million next year, even as total loan volume increases.

OFFICE OF PERSONNEL MANAGEMENT

Republican Attack on Federal Health Benefits: Director King gave an interview to the *Washington Post* and issued a statement critical of a Republican Congressional proposal that would inflict serious harm on the FEHBP by preventing OPM from negotiating a health benefits package on behalf of federal employees. His comments resulted in a front-page article that exposed the secret Republican plan.

OPM Stats Show Increase in Hiring of Veterans: In last Thursday's White House Veterans Policy Group meeting, OPM presented statistics showing that the number of new hires who are veterans has remained constant and the percentage of new hires who are veterans increased from 12.1% in 1990 to 18% in 1994.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Community Schools Grants: HHS is working with the White House to coordinate the announcement of \$9 million in grants designed to help youth find a "safe passage" to adulthood. The grants go to support after-school, evening, weekend and summer education and recreational programs. Funded under the bipartisan Crime Bill, these are the first of the Community Schools grants, and may be the last because the House and Senate Appropriations bills do not provide continued funds for this program.

Teen Pregnancy Grants: HHS is working with the White House to coordinate announcement of \$3.25 million to 13 community coalitions to work with youth in preventing unwanted teenage pregnancies. The programs will demonstrate ways that communities can create partnerships and organize their own resources to help teens delay sexual activity and prevent initial and repeat teen pregnancies.

CDC's "Business Responds to AIDS" Targets AIDS in the Workplace: In the coming weeks, CDC will launch a national workplace-related public service campaign at a press conference in New York City. The new campaign is part of CDC's "Business Responds to AIDS" and "Labor Responds to AIDS" programs, two public-private partnerships designed to engage the business and labor communities in HIV prevention. Actor William Hurt will tape a public service announcement.

- ✖
HHS to Approve Medicaid Demonstration in D.C.: This week, HHS expects to approve a Medicaid demonstration project in the District of Columbia which would enroll, on a voluntary basis, disabled Medicaid beneficiaries under age 22 into a managed care delivery system specializing in the needs of disabled children. An estimated 3,000 children will be eligible to participate in the "Managed Care System for Disabled and Special Needs Children."
- HHS Kicks Off Medicare Beneficiary Flu Prevention Campaign:** On October 16, HHS, in partnership with the National Coalition for Adult Immunization, will kick off the 1995 flu prevention campaign by urging Medicare beneficiaries to obtain flu shots. HCFA will release figures showing a significant increase in Medicare beneficiaries receiving shots during the last two flu seasons (9.8 million in 1993 and 10.9 million in 1994). The increase in immunizations translates into approximately 5,000 avoided hospitalizations or \$25 million in savings to beneficiaries and the Medicare program.
- FDA to Hold Breast Cancer Programs and Advisory Group Meetings:** As part of National Breast Cancer Awareness Month, on Tuesday, October 17, the FDA will present a two-part program -- a morning session for the general public called "Knowledge That Could Save Your Life: Early Detection," and an afternoon scientific session on why tamoxifen protects against breast cancer recurrence but increases uterine cancer incidence.
- L.A. County Commissioners Approve Demonstration Proposal:** Last week, HHS came to agreement in principle with L.A. County staff on several financial issues regarding their application for a section 1115 Medicaid demonstration waiver. Subsequently, the L.A. County Board of Supervisors voted to proceed with the waiver application and with the proposal submitted by the Health Care Crisis Manager. Under the Crisis Manager's proposal, most, but not all, of the proposed clinic closings and lay-offs are rescinded. The proposal includes a partial restoration of hospital outpatient services. The next steps include preparation and submission of a formal waiver application by L.A. County and California staff and joint work among Department, State, and County staff on restructuring the county's health care system.

Media Stories on Health Problems of Persian Gulf Veterans: On Tuesday, October 17, *Life* magazine will have an article in an upcoming issue about birth defects among offspring of Persian Gulf veterans. The article is expected to be negative about the Administration's response to reports. "Good Morning America" has also shown an interest in this story.

Texas Welfare Waiver Pending: HHS is reviewing the Texas *Service Management and Resources for Teens* welfare demonstration proposal. The program would require AFDC youth, age ten and over, who did not have children of their own, to participate in Communities in Schools programs.

SOCIAL SECURITY ADMINISTRATION

- Six Month Anniversary of Oklahoma Bombing:** On October 19, the 6-month anniversary of the Oklahoma City bombing, Commissioner Chater will unveil a Memorial Wall and participate in a ribbon cutting ceremony for a Memorial Garden at SSA Headquarters in Baltimore.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **\$14 Million in Little Rock Public Housing Grants to be Announced:** Secretary Cisneros will be in Little Rock, AR on October 16 to announce \$14 million in public housing development funds for the housing authority to revitalize the Highland Park housing community.
- **Campuses of Learning Seminar: Linking the Information Superhighway to Public Housing Residents:** On Tuesday, October 24th, the Department will host an all-day seminar with representatives from the housing, real estate, education, and telecommunications industries to share ideas on how to develop strategies for transforming public housing developments into "Campuses of Learning." The goal of the Campus of Learning concept is to seek innovative partnerships with public housing agencies, local colleges and universities, private sector actors, and telecommunications and cable companies like Pacific Bell and TCI, to convert public housing communities into centers for learning -- where school children, young adults, and parents can gain computer skills, job training, and other life skills to become active participants in today's Information Age.
- **Upcoming Congressional Activities:** On October 25, Secretary Cisneros will meet with Speaker Gingrich and House Banking Subcommittee Chairman Rick Lazio to discuss HUD's authorization bill, the Department's plan to reinvent HUD, and strategies for helping cities. This has been rescheduled on several occasions.
- **Grant Announcement:** On October 19, HUD will announce \$4 million in awards to support Historically Black Colleges and Universities.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Media Messages:** On October 19, Director Brown will address the Entertainment Industries Council Symposium in Los Angeles on media images and messages directed toward youth.
- **Stay Drug Free Campaign:** On October 13, ONDCP unveiled a national educational campaign of 21 television and 9 radio public service announcements urging youth to "Stay Drug Free!! You Have the Power!!" Television networks ABC, CBS, NBC and FOX have already agreed to run the spots.

DEPARTMENT OF EDUCATION

- **Ed Flex Program:** On September 27 the Department announced the selection of Ohio as the fourth state to participate in the Education Flexibility Partnership Demonstration Program. Under this program, the Department can authorize six states to waive certain federal statutory or regulatory requirements in order to facilitate the state's implementation of a broad school improvement plan.

Handwritten notes:
Need to check on
to waivers by US Congress
to Ohio, Reagan

DEPARTMENT OF THE INTERIOR

- **Grazing Update:** As a follow-up to meetings on grazing Senators Bingaman, Reid, Bryan, Dorgan and Daschle wrote a letter to Sen. Domenici, in which they stated that "we do not believe that we can make significant further progress if Title I of S.852 is required as the starting point for any proposed agreement." According to reports from the Hill, Senator Domenici's reaction to the letter is to threaten to bring up his grazing reform bill on the Senate floor, possibly next week. If that happens, several Senators have assured Interior that they will seek to delay the bill.
- **Arctic National Wildlife Refuge Update:** Interior is successfully promoting the Administration's case for protection of the Arctic National Wildlife Refuge. Senator Murkowski has been quoted in the Alaska press as acknowledging the failure of drilling proponents to effectively "get their story" in the media. Nationwide editorial comment has been extensive, and overwhelmingly supports the Administration's threatened veto. Favorable editorials have appeared in the *New York Times*, *Kansas City Star*, *Denver Post*, *Los Angeles Times*, *San Francisco Examiner*, *Seattle Times*, *Minneapolis Star Tribune*, and the *Portland Times Record*. *ABC World News Tonight* has also done a story on the controversy, and *MacNeil-Lehrer* has one in preparation. A recent *New York Times* report indicates that the Arctic controversy is one of the issues dividing House Republican moderates from the more conservative House leadership.
- **Million Man March:** The Park Service is continuing to coordinate with the organizers of the Million Man March scheduled for Monday. Currently, the best estimate based on the Park Service's contacts with bus companies throughout the country is 250,000 to 500,000 which is less than the estimate by the organizers. The Park Service is working on satellite parking for the buses and other proposals to assist the organizers with logistics for the march.
- **Secretary's Travel:** Next week, Secretary Babbitt is travelling on his eighth Natural Heritage Van tour in Maryland and Virginia. He will be in Baltimore at Ft. McHenry National Monument to talk about the park closure rider; Norfolk, Virginia, for an event with the Navy on their relationship between national security responsibilities and natural resource protection; the James River in Richmond, Virginia, to highlight the Clean Water Act; the Appomattox National Historic Site for the park closure rider; Charlottesville, Virginia, for a speech to University of Virginia students about the environment; and a tour of Old Town Alexandria and participate in a roundtable to talk about the economic success of this area.

ENVIRONMENTAL PROTECTION AGENCY

- **Superfund Reauthorization:** The Senate Committee on Environment and Public Works indefinitely postponed a hearing on Senator Smith's Superfund Reauthorization bill originally scheduled for October 12. Administrator Browner was scheduled to testify. Senator Smith has accused Majority Leader Dole of halting Superfund Reauthorization by removing the financing provisions that were agreed to earlier. Smith has also canceled plans for a mark-up of his bill. EPA believes these developments make it highly unlikely that a Superfund bill will be taken to the floor of either the House or Senate, much less be passed, this year. Such a delay is troubling because the Superfund taxing authority expires on December 31, 1995.

- **Common Sense Initiative:** On October 18, Administrator Browner will chair the second Common Sense Initiative Council meeting. The Council -- made up of 22 senior level representatives of industry, small business, labor, federal, state and local government, environmental justice groups and community-based and national environmental organizations -- will advise EPA on a sweeping effort to regulate environmental protection on an industry-by-industry basis.

DEPARTMENT OF AGRICULTURE

- **Impact of Budget Cuts on Rural America:** On October 11, Secretary Glickman joined Leon Panetta and Congressional leaders at the Capitol for a press conference to release a state-by-state analysis of the impact of Republican-proposed budget cuts on rural America. Among those present were Senators Daschle, Leahy, Dorgan, and Wellstone, and Reps. Gephardt, Rose, Stenholm, and de la Garza. On October 12, Secretary Glickman joined Vice President Gore for a radio bridge to agriculture reporters across the country regarding the budget debate.
- **Work on Farm Bill Continues:** The Senate Agriculture Committee plans to mark up the miscellaneous title of the 1995 Farm Bill within the next two weeks. The Committee is expected to consider a number of proposals submitted by the Administration, including marketing-related provisions as well as animal and plant health and safety amendments. In the House, work is proceeding on the trade, conservation, credit, and rural development Farm Bill titles.
- **Reconciliation Goes To House Budget Committee:** Congress is expected to begin consideration of the reconciliation bill within the next two weeks. The House Budget Committee is expected to adopt the Freedom to Farm bill authored by Agriculture Committee Chairman Roberts, despite the Chairman's failure to get the bill reported by the Agriculture Committee. The Senate Agriculture Committee has reported a proposal by Chairman Lugar that cuts \$13.6 billion in farm program spending.
- **Press Coverage Raises Questions On Team Nutrition, Financial Statements Audit:** Several recent articles by *The Washington Post*, *Associated Press*, and other periodicals have criticized the Team Nutrition component of USDA's School Meals for Healthy Children for expenditures to educate children about healthy food choices and improve the taste of school meals. At the same time, articles were published regarding an audit by the USDA Office of Inspector General (OIG) of USDA Food and Consumer Service FY94 financial statements, which found accounting system problems that resulted in inadequate documentation of \$342 million in agency funds. The USDA Food, Nutrition, and Consumer Service is working with OIG to aggressively address issues raised in the audit and resolve accounting problems.
- **Favorable Decision Deflates County Supremacy Movement:** On October 4, the U.S. District Court for Nevada issued a favorable decision in *United States v. Gardner* involving unauthorized livestock grazing on the Humboldt National Forest in the state. The Court rejected the theory that Nevada, not the United States, owned the land on which livestock were grazing. The Gardner's defense was based on what the Court concluded was a flawed interpretation of the Equal Footing Doctrine, whereby each Western state allegedly obtained title to all public lands upon entering the union. The Court affirmed the United States' ownership of, and the USDA Forest Service's management authority over, National Forest System lands. The decision seriously undermines the

principal theory of the County Supremacy movement, which challenges the jurisdiction and authority of federal employees on public lands.

- **1995 Rescissions Act Timber Salvage Litigation:** On July 27, Congress passed P.L. 104-19, which requires the USDA Forest Service and the Department's Bureau of Land Management to award, release, or permit certain timber sales to be completed and to expeditiously sell salvage timber. That legislation has resulted in 15 lawsuits. There are two issues as to timber sales: The government argued that only sales prepared in 1989 and 1990 on forest inhabited by spotted owls under a previous appropriation act provision must be released. The timber industry sought release of all delayed sales on national forests in Oregon and Washington from 1989 to the present. Second, the Rescission Act provided that sales are not subject to release if a "threatened or endangered bird species is known to be nesting" within the timber sale unit. The government argues that it should rely on its previous Endangered Species Act determinations as to likely presence of a threatened or endangered bird. The timber industry argues that the sales must be released unless the government has actual physical evidence of a nest. At this point in the litigation, only the first issue has been addressed by the courts. On September 13, the U.S. District Court in Oregon held for the timber industry and ordered that all delayed sales in national forests in Oregon and Washington be released. The Departments of Justice, Interior and Agriculture have decided to move forward to appeal that decision after consulting with the governors and congressmen from Oregon and Washington. The U.S. District Court in Eugene, OR is expected to take action on October 17.
- **New Litigation Challenges Western Timber Harvest:** On September 29, a coalition of nine environmental organizations filed a lawsuit in the District Court of Oregon seeking an injunction of all timber sales in "old growth forests" on nine national forests on the east side of Oregon and Washington. Plaintiffs allege that the USDA Forest Service violated National Environmental Policy Act and the National Forest Management Act in its development of interim riparian, wildlife, and ecosystem protection measures for timber sales. This lawsuit threatens not only the timber programs of these forests which contain no northern spotted owl and marbled murrelet habitat, but also challenges the Forest Service's ability nationwide to quickly implement interim environmental protection measures in national forest plans. This case is one of several recently filed lawsuits by environmental groups seeking broad scale injunctions against the Forest Service timber sale program.

DEPARTMENT OF ENERGY

①
main
points
above
the
K. McGraw
Quinn

Nobel Physics and Chemistry Laureates Supported by DOE: The Department and its predecessor agencies funded the research by 1995 Nobel Prize winners in chemistry, Dr. Mario Molina and Dr. F. Sherwood Rowland who discovered the connection between CFCs and stratospheric ozone depletion. Physics prize winner Dr. Martin Perl, an employee of the Department's Stanford Linear Accelerator Center (SLAC) in California, discovered the tau lepton particle there. Dr. Frederick Reines was an employee of the Los Alamos National Laboratory in New Mexico when he discovered the neutrino particle using a reactor at the Department's Savannah River Plant in Aiken, South Carolina. DOE's high energy and nuclear physics program has funded their research extensively throughout their careers.

- **Announcement on Tritium:** This week, DOE announced a dual-track strategy to assure a new tritium source for the United States' nuclear deterrent. Under this preferred strategy, the Department of Energy will work on two promising production options: (1) the use of an existing commercial light water reactor and (2) the construction of a linear accelerator. DOE identified the Savannah River Site in South Carolina as the preferred site, if an accelerator is ultimately selected as the primary production option, because of the site's longstanding expertise and capabilities in handling tritium. Much of the research and development work on the accelerator will be carried out at the Los Alamos National Laboratory in New Mexico over the next few years. If the Department decides to rely on an existing reactor, there are a number of utilities across the nation that would likely express interest. DOE plans to release a final Programmatic Environmental Impact Statement (PEIS) on Tritium Supply and Recycle later this month, which will support a Record of Decision, scheduled to be issued in November.

UNITED STATES INFORMATION AGENCY

- **Au Pair Program:** USIA and the Department of State have determined that, as of October 1, the Au Pair Program does not have authorization. USIA is unable to determine at this time when legislation reauthorizing the program will be passed. INS has determined that Au Pairs with visas issued prior to October 1 can enter the US under a "deferred inspection status."

DEPARTMENT OF DEFENSE

- **Former Yugoslavia:** This week, Secretary Perry met with the NATO defense ministers and General Joulwan briefed us on the status of the NATO peace implementation plan. NATO military planners have approved the preliminary plan that was forwarded to the North Atlantic Council October 11. While the main issues of the map and rules of engagement still need to be worked out in the peace talks, DoD is doing tentative planning based on the assumption that they will be providing about one division, which could involve as many as 20,000 U.S. troops in country. The bulk of the American contingent will come from the Army's 1st Armored Division, based in Germany.
- **Russia - Participation in Bosnia:** Secretary Perry also met with Russian Defense Minister Pavel Grachev last Sunday in Geneva. Out of these two sets of meetings, it's clear that Russia wants to participate in the peace implementation force and that the NATO defense ministers want Russia to participate. They reached congruence on goals, but not on how Russian troops could be incorporated into the plan. Russia is unlikely to agree to subordination of Russian troops to NATO political authority (NAC); NATO is unlikely to agree to Russian troops without such subordination. This will be further discussed at the Contact Group and at SHAPE, and could likely be a point of discussion when you and President Yeltsin meet in New York at the end of the month.
- **Korea:** Three ROK naval vessels were fired upon as they crossed the Northern Limit Line while observing a Chinese fishing vessel being towed by a North Korean patrol boat. Three rounds were fired either from a shore battery or an unobserved vessel. One ROK vessel was hit; there were no reported injuries.

- **Japan:** On October 5, the GOJ provided to the Embassy in Tokyo proposed changes to the current procedures in the custodial disposition of servicemembers accused of crimes in Japan. This action comes as a result of the continuing controversy over the custody issue (U.S. retention until indictment under current Status of Forces Agreement) in the aftermath of the rape of a 12-year-old last month.

DEPARTMENT OF STATE

- **Balkans Update:** The cease-fire announced October 11 has yet to take hold country-wide. Despite reduced conflict in Sarajevo and other areas, the Croat-Muslim offensive in northwest Bosnia continued. State Department officials are urging sides to live up to the cease-fire agreement. They have also raised their concerns about increased ethnic cleansing of Muslims and Croats around Banja Luka at the UN and in Belgrade. Meanwhile, preparations for upcoming peace talks have intensified, with Dick Holbrooke heading up an expanded task force here and leading his negotiating team in Paris, Moscow, and the Balkans next week. In Moscow, he will rendezvous with Strobe Talbott to work on Russian participation in the settlement implementation force. Secretary Christopher plans to chair the opening session of the peace talks.
- **China:** Current Chinese prickliness on the timing and venue of your meeting with President Jiang in New York suggests the U.S. can only expect limited progress on the major issues. The best the Administration may be able to achieve is Chinese agreement to modest, process-related advances, such as resumption of the dialogues on non-proliferation and human rights, which were suspended by Beijing last June. The President should be prepared to meet with Jiang again in Osaka -- and thereby build a sense of process in rebuilding the relationship -- to increase the chances for progress in New York.
- **Haiti:** On the eve of the Vice President's Sunday trip to Haiti, Prime Minister Smarck Michel has submitted his resignation, to be effective on Monday, citing lack of support from President Aristide for the government's economic reform program, particularly privatization of State corporations. Michel's resignation threatens to delay the conclusion of vital agreements with the international financial institutions, which if not signed could plunge Haiti into a financial crisis. State Department officials are recommending that the Vice President tell Aristide his leadership is essential to overcoming resistance to concluding these agreements and moving ahead with economic reform.
- **Cuba:** Cuban reaction to your initiative on outreach to the Cuban people has been more tempered than expected. The Cuban Government characterized the new measures as "nothing new" in U.S.-Cuba relations, and has suggested that the measures violate Cuban sovereignty. Privately, however, National Assembly President Alarcon commented that the GOC's response on news bureaus would "not necessarily be negative." Meanwhile, reaction here has been mixed.
- **Reorganization/Nominations:** Negotiations continue on the Manager's Amendment to the Helms version of the State Authorization bill, as the SFRC minority and majority try to work out a compromise to the Helms proposal to consolidate the foreign affairs agencies. Helms is pressing for a quick agreement with Kerry on the content of the Manager's Amendment. On October 12, Senator Helms chaired a non-contentious nomination hearing for Ambassador-designate Sasser and promised early confirmation.

UNITED NATIONS

- **General Debate:** October 10 was the last day of General Debate at the start of the 50th session of the UN General Assembly. Ambassador Kantor is scheduled to deliver a speech to the Assembly on the UN budget on October 20. The UN is already making preparations for the arrival of approximately 140 heads-of-state for a special session of the General Assembly. President Clinton will address the Assembly on Sunday, October 22.
- **United Nations Financing and Reform:** Ambassador Albright has spent a good deal of time this past week working with Secretary Christopher and National Security Adviser Tony Lake on the problem of funding U.S. contributions to the United Nations. Their goal is to develop a plan that will gain the support of key Members of Congress and that will allow the U.S. to pay the more than \$1 billion in arrearages it now owes to the UN. This task has assumed even greater urgency in light of your scheduled address to the UN General Assembly on October 22.

CENTRAL INTELLIGENCE AGENCY

- **Bolstering NRO Financial Management:** Director Deutch and Deputy Secretary of Defense John White have agreed to a number of concrete moves to strengthen the financial management of the National Reconnaissance Office (NRO). First, they have established an Associate Director of Resource Oversight and Management at NRO. Second, the NRO has added twenty additional positions to support its comptroller function. In addition, they have agreed to jointly manage their space programs to conduct joint reviews of the DoD National Foreign Intelligence Programs. Taken together, all of those steps will put them on a more solid programmatic footing, although more work clearly needs to be done before the NRO's financial management is in acceptable shape.

cc: The Vice President
Leon Panetta
Harold Ickes
Erskine Bowles
George Stephanopoulos
Alexis Herman
Carol Rasco
Maggie Williams
Michael McCurry
Doug Sosnik
Marcia Hale
Donald Baer
Jack Quinn

Jim Dorstkind
copied 10/16/95

William L. Eicher
13714 Chittim Meadow
San Antonio, TX 78232

11 October 1995 95 OCT 16 A9:06

The West White House
Staff Secretary
Attn: Mr. Todd Stern
Washington, D.C. 20500

Dear Mr. Stern:

I am a historian and researcher of United States medals and insignia. My area of specialization is researching awards and decorations about which very little information is known. Presently, I am gathering information for publication in the Journal of the Orders and Medals Society of America pertaining to the Presidential Medal of Freedom. As you might guess, there is very little data currently available to the general public concerning this award, especially relating to recipients.

It would be of great assistance to me if you could provide the following information.

- a. A by name list of recipients since 1945 through the present. If possible the list would indicate the exact date of presentation, the degree or class of award, and the serial number of the medal presented.
- b. A by name list of recipients who have been awarded the medal two or more times. If the recipient received a second medal, please indicate the degree and the serial number of the medal.
- c. Copies of all citations.
- d. Photographs of award ceremonies, especially ceremonies in late 1963 and early 1964.
- e. Color photographs of the medals both obverse and reverse (actual size if possible.)
- f. Color photographs of the presentation cases both interior and exterior.
- g. Color photographs of an award certificate, citation and award binder.
- h. Copies of all regulations and policies pertaining to the medal.
- i. Information on who engraves the names on the reverse of the medals prior to presentation.

j. Information on where the medals are stored and how they are controlled.

I realize this is a great deal of information to request and I apologize for any inconvenience. Furthermore, I am willing to pay all costs involved in the copying of regulations and photographing of medals. Thank you for your consideration and any assistance will be greatly appreciated. Should further information be required, I may be reached at (210) 496-9567.

Sincerely,

William L. Eicher
William L. Eicher

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
10-16-95

(Masro

~~Mr Scott~~

~~What about this? What
can we do
when sun is coming
on the 16th day
BZ~~

Formal Self-Introductions by Members of the
Presidential Advisory Council on HIV and AIDS

27 July 1995, Washington, DC

Good Morning. My name is Bruce Weniger. I am a physician engaged in public health and epidemiologic research with the Centers for Disease Control and Prevention, where I have worked since 1980 and have been involved full-time since 1988 in conducting international HIV/AIDS research and training, with a focus on the epidemic in Asia and South America. I founded and was the first director of the HIV/AIDS Collaboration, a joint U.S.-Thai government AIDS research center in Thailand.

As a federal employee working on AIDS, I want to make it clear that I am not here officially representing my agency, nor necessarily speaking official policy. Indeed, the President has asked us individually to contribute our advice and counsel on what's right and what's wrong with the Government's efforts, and what it should be doing differently, and I hope my international perspective and candid observations from inside the AIDS bureaucracy will fulfill his mandate to us.

I am honored to be a part of this properly diverse group, each with our own unique experiences and insights on the many front lines of the campaign against this epidemic. I look forward to being educated by your own individual knowledge in the many aspects of confronting this disease. I hope we can work together to develop for the President a consensus of thoughtful assessments of what the major problems are, reflecting all the constituencies represented here, and to suggest both practical strategies and visionary paths of leadership for his consideration.

The particular area on which I would like to focus is scientific research. Clearly, effective treatments for all those who are now infected that would permit a normal lifespan free of AIDS disease, and a real cure, should always remain a fundamental research priority for this nation. When such drugs come, God willing, they are sure to be expensive, and for many, many countries less fortunate than our own, may be unaffordable. Thus, if we are ever to be successful in preventing infection among the roughly 40,000 Americans who acquire HIV every year, and the millions who become newly-infected worldwide each

year, I believe we desperately need certain tools now critically lacking. These are: 1. a chemical product -- a microbicide -- which women (and men) could use to protect themselves from infection during sexual intercourse, without necessarily requiring the cooperation or even the knowledge of their sexual partner, who may be unwilling or unable properly to use a condom, and 2. we need a vaccine to prevent AIDS.

Unfortunately, the efforts to develop such technologies are in a crisis stage. The pharmaceutical-biotechnology industries on whom we depend to create such products are dropping out of the effort, or not even bothering to try because of a variety of formidable obstacles -- principally economic, but also legal, regulatory, and bureaucratic. To solve this impasse, a number of respected scientists and public health experts have recently suggested new targeted, goal-oriented, empirical, trial-&-error approaches, similar to what was used to develop the polio vaccine, but which, astonishingly, to this day have not yet been tried for AIDS: The idea is, basically: that government provides some seed money and scientific and fiscal oversight, and works on some legislative and regulatory problems, but otherwise gets out of the way to let a consortium of the applied research community and the private sector get the jobs done with a minimum of bureaucratic red tape and delay. Delay in developing these products means lives will needlessly be lost in the years ahead, just as surely as we all now recognize the lives that were needlessly lost from the delay a decade ago in responding to the threat to the nation's blood supply.

Presidential leadership would be essential for such an approach that requires bridging the public and private sectors and research community. I can think of no greater tribute to the memory of Jonas Salk, who spent the final years of his life struggling to develop an AIDS vaccine using the empirical approach that has been suggested, than for our President to declare a national goal for the development of these technologies by the 50th anniversary of the success of Dr. Salk's polio vaccine, which would be the year 2005. This goal would involve the Government's reaching out to the private sector and other nations to join in such a targeted effort, and the marshaling of the federal research, public health, and regulatory establishments to overcome obstacles and weaknesses to meet these national objectives.

Thank you.

**HIV VACCINES - ACCELERATING
THE DEVELOPMENT OF PREVENTIVE HIV VACCINES
FOR THE WORLD**

**SUMMARY REPORT AND RECOMMENDATIONS
OF AN
INTERNATIONAL MEETING**

MARCH 7 - 11, 1994

BELLAGIO, ITALY

**Sponsored by
The Rockefeller Foundation**

Preface

This report provides a brief summary of an international meeting convened by the Health Sciences Division of the Rockefeller Foundation in Bellagio, Italy, March 7 - 11, 1994. The purpose of the meeting was to investigate the state of progress towards the development of preventive HIV vaccines appropriate for use in developed and developing countries, and to explore possible routes for accelerating the development of HIV vaccines. Twenty-four individuals attended the meeting in their personal capacities, not as representatives of particular institutions. Participants came from 12 countries and had backgrounds in vaccine development, AIDS research and care, international health, international finance, pharmaceutical and non-pharmaceutical industries, and public-private collaborations. This report reflects the consensus of the meeting, but does not attempt to represent the views of each of the participants. A draft was circulated to all participants for comments, however, final responsibility for its contents rests with the writers of the report, Jane Rowley and Seth Berkley.

The Rockefeller Foundation
June 1994

**HIV VACCINES - ACCELERATING
THE DEVELOPMENT OF PREVENTIVE HIV VACCINES
FOR THE WORLD**

**SUMMARY REPORT AND RECOMMENDATIONS
OF AN
INTERNATIONAL MEETING**

**MARCH 7 - 11, 1994
BELLAGIO, ITALY**

Sponsored by
The Rockefeller Foundation

Table of contents

Executive Summary	1
Introduction	3
1 The need for and ideal characteristics of a preventive HIV vaccine	4
1.1 The need for a preventive HIV vaccine	4
1.2 Ideal technical characteristics of a preventive HIV vaccine	5
2 Current efforts to develop HIV vaccines	6
2.1 Progress in HIV vaccine research	6
2.2 Progress in HIV vaccine development	7
2.3 Financial resources	8
3 Obstacles to developing and making HIV vaccines available	10
3.1 Obstacles to vaccine development	10
3.2 Obstacles to vaccine availability	12
4 Accelerating the development of HIV vaccines	12
4.1 The need for a new initiative	12
4.2 Characteristics of a new initiative	14
4.3 Activities of a new initiative	15
5 Future Activities	17
Table 1	19
Table 2	20
Table 3	21
Annex 1 List of meeting participants	25

Executive Summary

The epidemic of HIV-1 continues to spread throughout the world despite current prevention efforts. Between 1993 and 2000 the World Health Organization projects that at least 26 million people will become infected with HIV-1 – an average of 10,000 people a day over the 7-year period. While a substantial increase in the financial and human resources available for prevention activities would reduce the number of new infections, there is a growing realization that the current range of prevention activities will not be able to halt the epidemic. Other measures are urgently required. The development of safe and effective preventive HIV-1 vaccines would dramatically improve the prospects for controlling the HIV epidemic provided they be made accessible to those at greatest risk of infection.

Meeting participants acknowledged the unprecedented effort that has been made by the scientific community to understand the biology and pathogenesis of HIV since its discovery as the etiologic agent of AIDS in 1984. In addition, there has been considerable interest shown by national and international public and private sector institutions in the development of HIV vaccines. These ongoing efforts, while constrained by budgetary and human resource limitations, have led to major advances in scientific knowledge, and there are now encouraging signs that the development of a preventive HIV vaccine may be possible. A number of obstacles, however, hinder product development, and make it unlikely that a vaccine appropriate for use throughout the world will be developed and made available in a timely fashion unless remedial actions are taken. In 1993 over US\$ 1.5 billion was spent worldwide on HIV prevention and over US\$ 5 billion on HIV-related health care. Yet, in the same year less than US\$ 160 million was invested worldwide by the public and private sectors in HIV vaccine research and development. This was considered insufficient given the current and rising health, humanitarian, social, and economic costs of the HIV epidemic. The investment of additional resources was viewed as potentially making a significant difference, especially if targeted at the critical gaps in current development efforts.

The national research agencies of the developed countries have been playing a key role in vaccine research. Product development activities, however, have been left almost exclusively to the pharmaceutical and biotechnology companies. In the current environment the incentives for industry to invest substantially in the development of a preventive HIV vaccine are limited – there are a number of other products with more attractive investment prospects. To overcome this market failure and ensure more active industry participation, positive steps will need to be taken.

The dominance of the national research agencies of the developed countries and the pharmaceutical and biotechnology companies in HIV vaccine research and development has meant that current efforts are directed almost exclusively towards vaccine products catering to the needs of the developed world. This emphasis raises cause for concern about the ultimate provision of an HIV vaccine to those in greatest need – over 90% of new infections are occurring in the developing world. For example, the industry investment in product development has, in general, been targeted at those vaccine approaches that are perceived as the safest, and has been based upon the sub-types of HIV-1 found in developed countries. Approaches that have technical characteristics that may make them better suited for use in developing countries are not being pursued aggressively. The rationale is that proving efficacy of a vaccine is the priority, following which other products will be developed in a sequential fashion. Given the many scientific uncertainties remaining, participants at the Bellagio meeting concluded that the development and testing of multiple empirical approaches in a parallel fashion, rather than

sequentially, will be a faster route to the development of safe, effective, and inexpensive vaccines appropriate for widespread use. The primary focus of current efforts on the sub-types of HIV-1 found in developed countries may also delay the evaluation of candidate vaccines by restricting the sites where clinical trials can be performed.

The unique nature of the HIV epidemic and its devastating potential consequences led the participants at the Bellagio meeting to conclude that a new global initiative with the primary mandate of accelerating the development of preventive HIV vaccines appropriate for worldwide use should be established. A new global HIV vaccine initiative was viewed as the most effective method to accelerate the development of safe and effective preventive HIV vaccines in the shortest time possible. The initiative should focus on reducing the obstacles to vaccine development and filling the gaps in the current effort. By focusing on the obstacles and gaps, the initiative was seen as complementing, not competing with, existing national and international activities. Success in developing an HIV vaccine will require the involvement of both the public and private sectors. Collaborative ventures between the private and public sectors have been fruitful in a number of other sectors in galvanizing product research and development, while still respecting corporate profit motives and independence. A range of potential models and sources of funding for the new initiative was suggested. A small funding secretariat, or task force, with an international scientific steering committee was viewed as the most appropriate structure.

Introduction

The continued spread of HIV-1¹ presents a serious threat to public health and economic development throughout the world. The World Health Organization (WHO) estimates that 14 million people had been infected with HIV by 1993, and projects that at least another 26 million will become infected by the year 2000. The available evidence suggests that all infected individuals will ultimately suffer from AIDS, and that all individuals with AIDS will die within a few years, unless much better means are found to slow disease progression. Already HIV is a leading cause of adult and infant mortality in a number of urban centers in both developed and developing countries, and by 1990, according to World Bank estimates, HIV was the leading cause of disability-adjusted life years lost among young adult males living in developing countries.

The recognition of the potential impact of the epidemic led to the mobilization of financial and human resources to slow the spread of the virus. Information and education campaigns designed to modify practices placing individuals at risk of acquiring and transmitting infection along with the provision of condoms and the screening of blood, have played an important role in reducing the rate of spread of the virus. Despite these global efforts, currently estimated to cost over US\$ 1.5 billion a year (US\$ 200 million [13%] of which was spent in developing countries), the virus continues to spread – even in populations exposed to extensive prevention programs. New prevention measures are urgently required.

Key to the successful prevention of many other infectious diseases has been the development and distribution of safe, effective, and inexpensive vaccines. Vaccines have played a pivotal role in eradicating smallpox worldwide, in eliminating polio from the Americas, and in controlling measles in a number of countries. The development and distribution of a safe, effective, and inexpensive vaccine to prevent HIV infection probably represents the best hope of controlling the global HIV/AIDS pandemic.

There are many scientific challenges that will need to be overcome before a preventive HIV vaccine is developed. The development of a vaccine, however, is only the first step. Experience with drugs and vaccines for other diseases suggests that measures will need to be taken to ensure that once a vaccine is developed that it is accessible to those at risk of infection throughout the world with the least possible delay.

This report broadly summarizes the deliberations of an international meeting convened by the Rockefeller Foundation in March 1994. The meeting, held in Bellagio Italy, was attended by 24 scientists, public health specialists, industry and private sector representatives serving in their personal capacities. The document is divided into five sections: the need for and ideal characteristics of a preventive HIV vaccine; current efforts to develop HIV vaccines; obstacles to developing and making HIV vaccines available; accelerating the development of HIV vaccines; and future activities.

¹ Throughout this document the term HIV refers to HIV-1. The focus of the meeting was on HIV-1, rather than HIV-2, as HIV-1 accounts for over 90% of all HIV infections, is spreading faster, and is more easily transmitted than HIV-2.

1 The need for and ideal characteristics of a preventive HIV vaccine

1.1 The need for a preventive HIV vaccine

The last decade has witnessed the rapid spread of HIV throughout the world. By mid-1993 the WHO estimated that worldwide over 14 million people have been infected with HIV since the beginning of the epidemic. The vast majority of these infections, over 11 million, were in the developing world, and in some urban centers in sub-Saharan Africa it is estimated that already 1 in 3 adults is infected. Serological data record a rapid rise in the prevalence of HIV in many developing countries. For example, estimates of the number of infected individuals in Thailand increased 10-fold between 1990 and 1993 – from 50,000 to 500,000.

Over the last decade financial and human resources have been mobilized to slow the spread of the virus by modifying those practices that place an individual at risk of infection. Despite these global efforts, currently estimated to cost US\$ 1.5 billion, the WHO projects that between 1993 and 2000 at least another 26 million people will become infected, over 90% of them in the developing world. In other words, over the 7-year period between 1993 and 2000, an average of 10,000 people each day will be infected with HIV. Even with an immediate 10- to 15-fold increase in the amount spent each year on AIDS and STD services in the developing world (an estimated annual expenditure of between US\$ 1.5 billion and US\$ 2.9 billion), the WHO projects that the number of new infections by the year 2000 would be reduced by at most 50%. In other words, substantially increasing the financial and human resources available will not be sufficient to halt the spread of the epidemic.

The development of safe and effective preventive HIV vaccines appropriate for use in developed and developing countries would dramatically improve the prospects for controlling the epidemic. The development of a vaccine would also be of enormous help in reaching those populations that might not otherwise be accessible to behavioral prevention efforts. Often those at highest risk of infection are alienated from society, are of low social status, have little education, or are illiterate, making them difficult to target with behavioral prevention efforts. Furthermore, it is possible that more virulent sub-types of HIV may evolve over time – another factor highlighting the importance of developing and ensuring that preventive HIV vaccines are made available as soon as possible.

Meeting participants regarded the development of preventive HIV vaccines appropriate for worldwide use as of the utmost urgency for a variety of reasons.

- Public health: HIV is one of the most deadly human viruses known – the available data suggest that it is 100% fatal – and at present there is no cure. While the current range of prevention activities are slowing the rate of spread of the epidemic they will not be able to halt its spread even with a substantial increase in investment. In countries where the epidemic is already established, all sexually active individuals who are not monogamous, or those who have partners who are not monogamous, are at risk of infection. The demand for health care from infected individuals is placing a substantial burden on health care systems that are already over-extended. For example, in a number of urban hospitals in sub-Saharan Africa over 70% of hospital beds are occupied by HIV-positive individuals. The negative consequences of the epidemic for public health are further compounded by the impact the epidemic is having on the rate of spread of other infectious diseases, such as tuberculosis.

- Humanitarian and social: Much of the burden of HIV is placed upon those least able to cope with it: the poor, the marginalized, and the young. Africa, the region with the weakest economy in the world, has over 60% of the current HIV burden. In many areas individuals who are not in a position to adopt risk-reduction measures, such as young women, are placed at a high risk of infection, not because of their own activities, but rather by the activities of their partner. Premature mortality and AIDS-related morbidity among adults are also having a serious impact on child welfare. For instance, the WHO estimates that in the 1990s there will be over 10 million AIDS orphans in Africa.
- Economic: AIDS primarily affects young adults in the most productive age groups and as a result the indirect costs associated with the epidemic are significant. The reduction in the supply and productivity of labor from HIV-related mortality and morbidity, and the financial burden of paying for HIV-related treatment and other needs have serious economic consequences for households, productive enterprises, and countries. In the case of affected households the illness or death of a productive member can tip vulnerable households into poverty. The direct costs of the epidemic are also substantial. By 1993, HIV-related medical care costs in the developed countries had already reached US\$ 4.8 billion a year and US\$ 340 million in developing countries – figures that will continue to rise in the foreseeable future.

The participants at the Bellagio meeting also expressed concern about the long-term financial sustainability of the current range of prevention activities. Behaviour modification activities are both costly and labor intensive and will almost certainly need to be continued indefinitely to ensure that newly sexually active individuals are educated and to reinforce the knowledge of those already sexually active. The limited impact that prevention activities appear to be having on the rate of spread of HIV, and the decreasing prominence of HIV and AIDS as a health and development issue in developed countries, however, may lead donors to reassess their financial commitment to prevention, with serious consequences for prevention activities in the future.

1.2 Ideal technical characteristics of a preventive HIV vaccine

A preventive HIV vaccine intended for use throughout the world ideally would have the following technical characteristics:

- Protection: Able to stimulate the production of durable, functional protective immune responses against most, if not all, sub-types of HIV² to which an individual is likely to be exposed, and from all potential routes of exposure. The mobility of people (and therefore viruses) highlights the need to protect individuals not just from the sub-types currently circulating where they live but also from those they may encounter in the future.

² Isolates of HIV from different geographic regions, from different individuals in the same region, and even from a single infected individual often carry distinctly different genetic sequences. Isolates can be grouped by genetic relatedness; nine groups or sub-types of HIV-1 have been identified so far. In North America one sub-type (B) is prevalent in the infected population. In a number of regions, however, several different sub-types can be found.

- Safety: Safe in both the short and long term. Safety concerns include reversion to infectious HIV, oncogenic potential, and immunosuppression in those vaccinated. The vaccine should also be safe to deliver without prior screening for HIV infection (i.e., the vaccine should not induce any adverse reactions when given to HIV positive individuals). Although complete safety is the ideal, the risk to benefit ratio in populations at high risk of infection may justify the use of a vaccine that has some risks or before every aspect of safety has been exhaustively evaluated.
- Delivery: Provide long-lasting protection with a minimum number of doses (preferably one), have a long shelf-life, be heat stable, and be simple to administer (preferably oral).
- Unambiguous marker for seroconversion: Provide health care professionals with a marker which enables seroconversion due to vaccination and seroconversion due to infection to be distinguished rapidly, easily, and inexpensively.
- Cost: The final price of the vaccine should be such that it will be affordable for wide-scale distribution to all at risk of infection throughout the world.

2 Current efforts to develop HIV vaccines

2.1 Progress in HIV vaccine research

Since the discovery of the etiologic agent of AIDS there has been an unprecedented scientific effort to understand its structure, function, pathogenic mechanisms, and routes of transmission. More advances have been made over the last decade on this virus than on any other organism in history, and new advances are being announced each week. The information from the ongoing research efforts has provided the essential underpinning for efforts to develop preventive vaccines and treatments for those infected. This worldwide effort has led to the design of a number of different candidate vaccines which are currently being explored in the laboratory and in animal models (see Table 1). These include:

- Peptides based on key portions of HIV structural proteins;
- Protein subunits based on HIV structural genes;
- Virus-like particles and other particles including pseudovirions;
- DNA that encodes one or more HIV proteins;
- Live recombinant viral and bacterial vectors that express one or more HIV proteins;
- Whole killed virus;
- Live attenuated virus.

In addition, a number of new adjuvants and delivery methods are under evaluation.

A number of key scientific challenges, however, remain. These include:

- The nature of the immune response required to prevent HIV infection: Infection may occur by both cell-associated and free-virus particles, and either through mucosal or systemic routes of exposure. Whether specific mucosal immune responses will be required to prevent infection and how best to stimulate them remains unknown.

- The nature of the immune response required to prevent HIV diseases: At present, the methods of HIV clearance following natural exposure have not been demonstrated. By analogy with other viral diseases, neutralizing antibodies and cytotoxic lymphocytes responses are thought to be important, but neither has been shown definitively to confer protection against HIV disease progression in infected individuals.
- The immunological importance of the different sub-types of HIV: The genetic diversity of the viral sub-types found worldwide is large. At present the immunological importance of the different sub-types is not known. The WHO Network for HIV Isolation and Characterization is collecting and analyzing samples from around the world to improve current understanding of this issue.
- Animal models: There is no readily available reliable animal model of HIV disease. SIV in monkeys has some potentially important differences from HIV, and HIV infected chimpanzees do not develop disease.
- Endpoints for vaccine efficacy trials: There is doubt about what endpoints to use for vaccine efficacy trials owing to the uncertain relationship between surrogate markers of disease progression (CD4 count, viral burden) and subsequent disease progression, and the long latency period between infection and development of disease.

Meeting these challenges will provide a major impetus to the development of preventive HIV vaccines. The meeting participants, however, felt that it was important that product development work and the clinical trials of candidate vaccines should not be overly delayed by the unsolved scientific challenges. Vaccine development and the clinical testing of other viral vaccines have occurred despite the existence of profound scientific challenges and much has been learned from this work. In the case of HIV, where no good correlates of protection have been identified and there is no readily available reliable animal model, there is no substitute for scientifically and ethically sound human trials. While there are certain characteristics of HIV that warrant caution, the consensus was that new information will rapidly be generated from trials in humans regardless of whether or not the candidate vaccine was successful in protecting a large percentage of volunteers.

2.2 Progress in HIV vaccine development

Product development efforts have focused predominantly on three vaccine strategies – peptides based on key portions of HIV structural proteins, protein subunits based on HIV structural genes, and live recombinant viral or bacterial vectors that express one or more HIV proteins. In the last few years over a dozen products have entered Phase I clinical trials (small-scale safety and immunogenicity trials) (see Table 1) and two products have entered phase II (large scale safety and immunogenicity trials). The majority of the products currently being tested are based upon key portions of the HIV envelope protein (gp160 or gp120). Products based on a highly immunogenic portion of the HIV envelope, the V3 loop, as well as products based on recombinant viral vectors using pox viruses to express the HIV envelope, are also undergoing Phase I clinical investigations. None of the Phase I trials have demonstrated any problems with safety and in several trials, virtually all of the volunteers who received a series of injections produced antibodies capable of neutralizing laboratory strains of HIV. The trials, however, involve small numbers of volunteers and have a limited time period of observation. The long term side-effects and duration of immunity remain to be determined.

Phase III studies (large-scale efficacy trials) have not yet been initiated but are expected to begin in 1995. To prepare for these trials national governments and the WHO are developing the necessary infrastructure in various countries. These efforts include: the characterization of HIV sub-types found in possible trial populations, the training of investigators, the determination of the seroincidence of HIV, general strengthening of the infrastructure and field management capacity to undertake vaccine trials, and the development of the political support necessary for the conduct of such trials.

Product development efforts have focused on a small number of the potential vaccine approaches. The participants at the Bellagio meeting expressed concern about the lack of attention being given to other approaches. A number of approaches are not currently being "championed", including the two classical strategies, whole killed virus and live attenuated virus (Table 1). These strategies, and in particular, the live attenuated virus approach, are perceived as potentially less safe. However, a WHO expert committee that reviewed this issue in June 1993 concluded that the live attenuated approach "should be intensively explored". While ethical principles must not be compromised, the participants noted that the high risk of infection in some populations may justify the use of vaccine approaches that could potentially be less safe. For example, a vaccine with a risk of a serious adverse reaction of 1 in 100,000 may be considered better than no vaccine by a population with a high risk of infection, or better than an alternative vaccine that has a lower risk of adverse reactions but is less efficacious. Live attenuated or whole killed vaccines, if found to be efficacious, could represent viable cost-effective approaches under some circumstances.

The meeting participants also noted that product development efforts have focused on the sub-type of HIV found almost exclusively in North America and Europe – sub-type B (see Table 1). Candidate vaccines representing sub-types prevalent in the developing world, and candidates based on multiple sub-types are not being widely developed. While the immunological importance of the different sub-types has not yet been determined, the current focus of development activities on sub-type B could present problems when it comes to carrying out efficacy trials and may result in substantial delays in the evaluation of candidate vaccines. In the absence of more information on the immunological importance of the different sub-types of HIV, it is important that vaccine trials are carried out with prototype vaccines based on the viral sub-types found in the trial site; otherwise, it will be difficult to evaluate the significance of a negative result. There are, however, only a small number of population groups (primarily intravenous drug users and individuals living in some resource-poor inner city areas) with high enough rates of infection with sub-type B to carry out efficacy trials using realistic sample sizes. Some clinical trials can almost certainly be done more effectively and expeditiously in developing country populations with a high incidence of infection.

2.3 Financial resources

A review of recent activities in both the private and public sectors suggests that in 1993, less than US\$ 160 million was spent worldwide on HIV vaccine research and development (see Table 2). This represents less than 10% of the total amount spent on HIV/AIDS-related research and development. It is a fraction of the amount spent in 1992 on HIV prevention (US\$ 1.3 billion in developed and US\$ 0.2 billion in developing countries) and on HIV-related health care (US\$ 4.7 billion in developed and US\$ 0.34 billion in developing countries), and a very small fraction of the

amount spent on health research. The most recent survey of expenditures on health research conducted by the Commission on Health Research for Development estimated that in 1986 US\$ 30 billion was spent worldwide on health research, of which less than 5% (US\$ 1.6 billion) was spent on developing country-oriented research. Between 1986 and 1993 the total amount spent each year on health research increased markedly. This means that in 1993 expenditures on HIV vaccine research and development represented substantially less than 0.5% of the total global health research budget.

Public sector

The public sectors of the major developed countries are the main source of funding for HIV vaccine research and development. In 1993 it is estimated that they provided over 80% of the total global expenditure in this area, or between US\$ 125 million and US\$ 130 million (see Table 2). Their efforts to fund research on HIV and AIDS are constrained, however, by overall budgetary and human resource limitations, and the competing demands of other important diseases affecting human health. There is also competition for funds earmarked for HIV/AIDS research between basic research activities directed at increasing current understanding of the virus, activities directed at developing therapeutics to treat those currently infected, and activities directed at developing a preventive HIV vaccine. Of the three, preventive vaccine development has received the smallest proportion of the available funding. For example, in 1993 less than 10% of the US government's budget for HIV/AIDS related research and development activities was spent on preventive vaccines (see Table 2).

Within the public sector, the national health research agencies control the majority of the funds, and hence expenditures are also influenced by their general mission - to promote the health of persons living in their own country. The development assistance agencies, whose mandate is directed towards those living in developing countries, have not been active funders of HIV vaccine research and development to date.

Private sector

The private sector is an important source of funds for health research. The Commission on Health Research for Development estimated that in 1986, the private sector accounted for over 40% of the total amount spent on health research (US\$ 13 billion out of US\$ 30 billion). Estimates of the amount invested by the private sector in research and development activities related to preventive HIV vaccines are difficult to make. Results from an informal survey of the key players, however, suggest that in 1993 pharmaceutical and biotechnology companies invested less than US\$ 25 million in preventive HIV vaccines, or under 15% of the total expenditure.

Both large pharmaceutical companies and the small biotechnology companies have been active players to date in HIV vaccine development. Funds for investment by the large companies come, in general, from within the company. The small biotechnology companies, however, rely primarily on venture capital for funding which, in general, has a limited time horizon for investment without quantifiable success. The prospect of price controls on health care in the United States is also making preventive vaccines a less attractive investment prospect.

The resources that have been invested by industry in the development of preventive HIV vaccines have been targeted predominantly at those approaches perceived as being safest (i.e., least likely to have untoward side effects and, consequently, with less potential for litigation should such

effects emerge), and have been based on the sub-type of HIV found in the US and Europe (i.e., greater likelihood of receiving a return on investment).

The meeting participants concluded that the current level of investment in research and development on preventive HIV vaccines was insufficient given the future health, humanitarian, social, and economic costs of the HIV/AIDS pandemic. The investment of additional resources was viewed as potentially making a significant difference, especially if targeted at the critical gaps in current development efforts.

3 Obstacles to developing and making HIV vaccines available

3.1 Obstacles to vaccine development

In the industrialized countries, vaccine development is almost exclusively a commercial enterprise. The resources, expertise and experience for product development, preparation for licensure application, and manufacturing lie predominantly in the private sector. As a result, whatever research priorities are set by the public sector, the ultimate decision to develop and manufacture a vaccine for general use rests in the hands of the private sector and, in particular, the large vaccine companies, most of which are also large pharmaceutical companies.

The decision to invest in the development of a new product reflects a careful assessment of a variety of external and internal factors that determine the opportunity costs of investing in the product, the risks involved in developing and marketing the product, and its potential profitability. Three key external factors are the state of science, the size of the market, and the public policy environment. Internal factors include the skills base of the company, and the fit with the current research and development portfolio.

In the case of HIV, the current level of investment by the private sector suggests that, at present, industry does not regard the development of a preventive HIV vaccine as a very attractive commercial enterprise. The opportunity costs of investing in the vaccine are not insignificant - the development of an HIV vaccine will almost certainly require a substantial investment of financial and human resources over an extended period of time. The risks are also great. There is no guarantee that a preventive HIV vaccine can be developed, and even if a company did develop a vaccine the size of the market and the price the market will bear are both uncertain, as are the potential liability costs.

State of the science

The rapid scientific advances made in the last decade provide the essential underpinning for efforts to develop preventive HIV vaccines. There is, however, no guarantee that it will be possible to develop a preventive vaccine, and in the interim there are a number of important scientific challenges that need to be met (see Section 2.1). These uncertainties make investing in an HIV vaccine a risky prospect.

Market considerations

Estimates of the size of the market for a preventive HIV vaccine are difficult to make as there are many uncertainties, including the acceptability of the vaccine to the population; the perceived risks of acquiring HIV; the amount people or institutions will pay for a vaccination course; the willingness of different institutions to cover the costs of a vaccination course for those who cannot afford to pay; and national government vaccine policies.

In the developed countries, in the absence of broad recommendations for vaccination the greatest demand for a preventive vaccine will come from those individuals who regard themselves as at high risk of infection. Estimates of the percentage of the population who regard themselves as at high risk of infection are small. The experience with the use of hepatitis B vaccine in health care providers and homosexuals also confirms the difficulty of expecting a broad voluntary uptake. Among population groups identified as at high risk of infection, such as sexually active homosexuals and intravenous drug users, it is likely that only a proportion of individuals will come forward to be vaccinated even if the vaccine is free or highly subsidized. Individuals may not identify themselves as at risk of infection, and in areas where intravenous drug use is illegal or homosexuality is stigmatized, they may not be willing to step forward to be vaccinated. Even if all homosexuals and intravenous drug users were vaccinated, the number of vaccination courses required is not large. Assuming 2% of adult males are sexually active homosexuals, and 0.1% of the adult population uses intravenous drugs, then less than 5 million full courses would be required to vaccinate all members of these two groups in the developed world, and probably less than 150,000 courses a year to vaccinate all individuals entering the two groups. Heterosexuals with multiple sexual partners and certain cadres of medical professionals (e.g. surgeons) have also been identified epidemiologically as being at high risk of infection. The prevailing view is that only a very small proportion of heterosexuals consider themselves at risk of infection. It is difficult to predict, however, how the general heterosexual population will respond to the availability of a preventive HIV vaccine.

The developed countries account for only 15% of the world's population and 7% of new births. In other words, the potential demand for an HIV vaccine is substantially greater in the developing world than in the developed world. The resources to purchase a preventive HIV vaccine, however, lie disproportionately within the developed countries and will continue to do so for the foreseeable future in the absence of international subsidies. In general, the countries with the highest incidence of HIV and hence with the greatest need for a preventive vaccine are also among the poorest. For example, the total per capita expenditure on health care in sub-Saharan Africa (including both public and private funding but excluding South Africa) in 1990 was US\$ 13.5 and in India US\$ 21, a fraction of the amount spent in Europe or North America. Comparable figures for France and the United States were US\$ 1,945 and US\$ 2,763 respectively.

Public policy environment

The meeting did not focus on the public policy environment in detail. The general view, however, was that the current public policy environment for vaccine development was not favorable. Positive steps will have to be taken if pharmaceutical and biotechnology companies are to be encouraged to commit more fully their expertise, experience and resources to the development of a preventative HIV vaccine. This is especially true if industry is to be encouraged to invest in vaccines that will meet the technical requirements of the developing world.

Interventions to encourage industry participation are basically of two types – those that reduce the prelicensure costs and risk of developing a vaccine candidate, and those that make the environment for vaccine manufacturing more hospitable. Incentives could include improving the legal and regulatory environment, reducing the potential costs of liability exposure, or ensuring the availability of patent protection for those working on preventive HIV vaccines. Other incentives include:

- financial assistance with research and development in the form of grants, cooperative research and development agreements, tax credits, or other fiscal incentives;
- access to pilot production facilities;
- assistance with access to clinical and field trial sites;
- financial assistance with clinical trials and field testing;
- harmonization of international regulatory procedures for vaccine approval;
- assistance in the assembling intellectual property rights;
- guaranteed procurement of vaccine;
- establishment of an HIV vaccine injury compensation program.

3.2 Obstacles to vaccine availability

Ensuring that once a safe and efficacious preventive HIV vaccine is developed that it is made available promptly to those individuals at high risk of infection is of utmost importance. Experience with drugs and vaccines for other diseases (e.g. hepatitis B), however, suggests that worldwide availability will not occur without specific attention being given to the needs and requirements of developing countries. Issues relating to the manufacture, purchase and distribution of HIV vaccines will need to be addressed and steps taken in advance to ensure that extended delays do not occur. WHO, UNICEF (United Nations Children's Fund), and a number of other international agencies have extensive experience with these issues from working on the worldwide Expanded Programme on Immunization.

4 Accelerating the development of HIV vaccines

4.1 The need for a new initiative

The participants at the meeting expressed concern about the direction and pace of current efforts to develop a preventive HIV vaccine that would be appropriate for use in developed and developing countries. This concern reflected an assessment of a number of issues:

- There is no coordinated international strategy backed with adequate resources for the development of preventive HIV vaccines appropriate for use throughout the world. This has meant that there are important gaps in the overall picture of vaccine development.
- The financial resources for preventive HIV vaccine research and development are limited (presently estimated at under US\$ 160 million a year) and come primarily from the public sector of the major developed countries. These resources are invested almost exclusively in vaccine candidates and approaches that are directed at meeting the needs of the developed countries, and stress research rather than vaccine development. The vast

majority of infected individuals, however, live in the developing world, and it is here that the epidemic is spreading most rapidly.

- Most of the research funding from the public sector is done through researcher originated mechanisms. Although this is an excellent way to make new scientific breakthroughs, it is not necessarily the most effective way to develop a particular product.
- The expertise and resources for vaccine product development reside overwhelmingly in the larger commercial vaccine companies. The opportunity costs of investing in HIV vaccines, the perceived returns to investment and the potential costs (including liability) have meant that only a few companies are investing substantially in preventive HIV vaccines.
- Small biotechnology companies have been active players in vaccine development to date. They are, however, constrained by their reliance on venture capital for funding which, in general, has a limited time horizon for investment without quantifiable success.
- The limited resources being invested in HIV vaccine research and development has meant that HIV vaccine development is following a sequential, not a parallel approach. Given the many scientific uncertainties remaining, the development and testing of multiple empirical approaches in a parallel fashion, rather than sequentially, will be a faster route to the development of safe, effective, and inexpensive vaccines appropriate for widespread use.
- Vaccine approaches perceived as more speculative are not being actively pursued by commercial vaccine companies, even though they may offer other desirable attributes, such as the potential for higher efficacy or use with fewer doses.
- Candidates developed from sub-types of HIV found in areas where most new infections are occurring are not being aggressively developed in parallel to the developed country prototypes, even though many scientists are of the opinion that efficacy testing can be done much more effectively and expeditiously in high HIV-incidence developing country sites.
- Scientists and public health officials from developing countries have little involvement in, or influence on, the decision-making process for the development of preventive HIV vaccines.

The participants concluded that a new global HIV vaccine initiative should be established with the primary mandate of accelerating the development of preventive HIV vaccines. The main role of the initiative should be to redress system or market failures with respect to product development and its activities should focus on reducing the obstacles to vaccine development and filling the gaps in the current effort. By focusing on the obstacles and gaps, the initiative would complement, not compete with, the existing efforts in HIV/AIDS vaccine development, such as national programs and private sector vaccine development. The initiative was seen as providing support to a number of parallel development efforts prior to the time when a definite choice between alternative strategies can be made. A secondary goal of the initiative would be to work with organizations such as WHO, UNICEF, and other national and international agencies, to ensure that once a vaccine is developed that it is made available for use throughout the world with the least possible delay.

4.2 Characteristics of a new Initiative

The participants felt that the new initiative must have a well defined mandate, and must work closely with and be responsive to the needs of industry, national research agencies, national governments, and international agencies.

Other characteristics identified were:

- The ability to mobilize the collective efforts of a number of different sectors of the world economy – national governments, private companies, non-governmental organizations, and international organizations.
- The ability to act decisively, rapidly and to be flexible.
- The ability to undertake innovative development projects entailing calculated scientific and financial risks.
- A commitment to the highest scientific standards and full respect for ethical considerations and human rights.
- A finite lifespan.

The final form of the initiative and its sources of funding will need to be developed in consultation with the anticipated major collaborators. The advantages and disadvantages of various models for the new initiative were discussed at the Bellagio meeting. Models discussed include (see Table 3):

- Task force;
- Donor collaboration;
- Private consortia;
- Public/private consortia;
- Not-for-profit institute.

Experiences with specific programs were also discussed. Particular attention was given to the Children's Vaccine Initiative (CVI), as in many ways the role of the proposed initiative is analogous to the role CVI is playing in the development of childhood vaccines.

The view of the meeting was that a small secretariat, or task force, with an international scientific steering committee would be an appropriate structure. The secretariat would strive to accelerate the development of preventive HIV vaccines both by working with other organizations to reduce the disincentives and by targeting research funds at the critical gaps in product development as identified by the scientific steering committee. The secretariat would carry out no research of its own but rather would contract research out to companies, universities and government laboratories throughout the world.

The meeting participants felt that it was essential that the initiative have its own mandate and governing structure. It was recognized, however, that given the time delay and resources required to establish a new organization, it might be appropriate for the initiative to be housed, at least initially, in an existing organization. Potential homes for the initiative include the World Bank,

another multilateral agency, the new UN AIDS program (once established), or an international foundation.

Possible sources of funding for the secretariat and its associated activities were discussed. Sources mentioned included multilateral agencies, national agencies with interests in health or international development, philanthropic organizations, pharmaceutical and biotechnology companies, and the general public. An innovative model of a stock corporation owned by a number of pharmaceutical companies, multilateral agencies, private funders and developing country governments, and receiving developed country co-funding or loan guarantees for bonds sold on commercial markets, was offered as one possible funding approach. This approach has the advantage of not requiring substantial public sector funding unless the effort is ultimately unsuccessful. Another approach discussed was obtaining new public funding through a special appropriation by national governments.

The importance of both the private and public sectors playing an active role in the new initiative was stressed. The success of any new initiative will depend upon the willingness of both sectors to be involved. Collaborative ventures between the private and public sectors have been fruitful (eg. Sematech, Airbus) in a number of other sectors in galvanizing product research and development, while still respecting corporate profit motives and independence.

The value of both developed and developing country governments being actively involved was also emphasized. The need for a preventive HIV vaccine is greatest in parts of the developing world and, as a result, it is important that the requirements of these countries are taken into account. As well, the testing of candidate vaccines may be conducted more efficiently in high-incidence settings in developing countries than in developed countries. Those countries that participate in clinical trials should receive full credit for their part of the partnership in the development of an HIV vaccine. Involvement in the new global initiative may also assist countries by stimulating their own capacity to conduct vaccine research and clinical trials, and produce and deploy vaccines – an important additional benefit.

4.3 Activities of a new initiative

To achieve the initiative's goals, it was envisaged that a number of different activities would need to be carried out in close collaboration with the appropriate national and international agencies. The exact activities will need to be decided following discussions with potential collaborators. Among the activities identified during discussions at the Bellagio meeting were:

- Developing and disseminating a scientific strategic plan for vaccine development and candidate assessment; monitoring progress towards accomplishing the plan and closing the remaining gaps.
- Mobilizing additional financial resources that can be used to accelerate the development of preventive HIV vaccines.

- Encouraging the development of vaccine approaches that are not actively being pursued and new approaches that could be appropriate for eventual use in developing countries by providing financial resources and other types of incentives (see section 3.1). This might include directly funding vaccine companies to undertake particular steps in developing promising vaccine candidates.

In addition the initiative will need to work with other national and international agencies to:

- Ensure the active participation of individuals from all areas of the world in the planning, conduct, and evaluation of research and development for HIV vaccines. Provide additional financial and human resources to strengthen local capacities where necessary.
- Encourage and facilitate collaboration between the public sector and the private sector.
- Monitor the worldwide progress of promising vaccine approaches and candidates, and the global capacity to conduct safety and efficacy testing of vaccine candidates.
- Encourage national and international authorities to consider and resolve issues identified by the private sector as disincentives to vaccine development in general, and to HIV vaccines in particular, such as:
 - The commercial unpredictability arising from the lack of efficient mechanisms for dealing with liability and compensation for vaccine injury not associated with manufacturer negligence;
 - The lack of consistent international guidelines on issues relating to safety and efficacy testing, and licensure of vaccine candidates against HIV;
 - The lack of harmony among international regulatory agencies;
 - The commercial unpredictability arising from the lack of recommendations for vaccine use.
- Ensure HIV vaccines will be accessible and affordable for those at risk of infection. Activities that the initiative may need to consider undertaking include:
 - Identification of potential markets for vaccines in developed and developing countries and the creation of markets where they do not exist by ensuring that funds will be available for vaccine procurement (options include exploring the possibility of using the World Bank's International Development Association loans as a way of guaranteeing a hard currency market for HIV vaccines that meet certain specifications).
 - Development of plans for ensuring the financing of adequate supplies of vaccine for use in developed and developing countries once licensed for use.
 - Strengthening the capability for self-reliance in vaccine quality assurance, vaccine "finishing" and in manufacturing where appropriate and necessary.
 - Development of strategies for technology transfer if and when it becomes feasible.

5. Future Activities

The pace of scientific progress and recent research findings are encouraging that an HIV vaccine can be developed. While this is not certain, the rapid rate of spread of the HIV epidemic, the gravity of its potential consequences, and the limited impact of current prevention efforts, highlight the importance of mobilizing additional resources for HIV vaccine research and development. The HIV epidemic is truly a global epidemic, and as a result the development of preventive HIV vaccines will benefit the human race.

The organizations currently engaged in HIV vaccine research and development all have mandates that limit the scope of their vaccine research and development agendas. To date, the major source of funding for vaccine research has come from the public sectors of the developed countries and the vast majority of these funds have been administered by agencies with a domestic focus. The development assistance agencies, whose mandate is directed towards those living in developing countries, have not been major funders. Product development has been left almost exclusively in the hands of the private sector where the expertise and resources lie. In the current environment, however, the risks and potential returns from investing in the development of HIV vaccines are not sufficient for the private sector to make a substantial commitment to vaccine development. Without the expectation of adequate returns it is unrealistic to expect commercial vaccine companies to divert resources in favor of the development of a vaccine merely for the good of the public. Commercial manufacturers cannot be expected to bear the sole responsibility of developing high-risk, low-priced products. As a result, the public sector will need to reduce the disincentives for industry to invest if a vaccine is to be developed with the least possible delay.

The successful development of a preventive HIV vaccine will almost certainly depend upon the involvement of both the private and public sectors from around the world. In the current environment, no one government or company has the resources and incentive to take on the challenge of developing an HIV vaccine alone. The potential resources, however, that could be mobilized if the public and private sector of different countries were encouraged to work together would be substantial. Within the public sector, the development of an HIV vaccine is of importance for a number of different agencies, including those with concerns in health, economic development, and international development.

The participants at the meeting concluded that the establishment a new global HIV vaccine initiative with the primary mandate of accelerating the development of preventive HIV vaccines would be the most effective method of ensuring that a safe and effective preventive HIV vaccine appropriate for worldwide use is developed and made available in the shortest time possible. The establishment of a new global initiative backed with sufficient resources could potentially alter the future course of the HIV epidemic, save the lives of large numbers of people, and reduce the economic consequences of the epidemic. Such a global partnership would be a winning situation for all involved.

Due to the important implications of starting a new initiative and the resources that will be required, participants considered that the plan needed further discussion to define more accurately the steps that will need to be taken. In particular, additional guidance will need to be sought from the private sector. For the short term the meeting recommended that:

- The concept of the establishment of a new initiative should be discussed with potential collaborators;
- A preliminary scientific research agenda should be developed;
- A proposal detailing the scientific and business plan of the initiative, organizational structure, and funding mechanism should be developed.

The participants at the Bellagio meeting considered that the development of preventive HIV vaccines appropriate for worldwide use was of great urgency and deserving of extensive support. The World Bank's 1993 World Development Report concludes that "Historians will look back on the latter half of this century as having had one great medical triumph, the eradication of smallpox, and one great medical tragedy, AIDS." Perhaps it is not too late for the world to rise to the challenge of averting this tragedy.

Table 1. Investment in preventive vaccine product development by approach and virus sub-type. Vaccine approaches are ordered from left to right according to perceived safety.							
Sub-type	Peptides	Protein subunits	Virus-like particles and other particles	DNA	Live recombinant vectors	Whole killed	Live Attenuated
B*	+	+	+	+/-	+	0	0
A	+/-	0	0	0	0	0	0
C	+/-	0	0	0	0	0	0
D	+/-	0	0	0	0	0	0
E	+/-	0	0	0	0	0	0
F	0	0	0	0	0	0	0
G	0	0	0	0	0	0	0

* Virus sub-type B predominates in North America and Europe.

- 0 No product in development
- +/- Product in development but not yet in human trials
- +

Product currently in Phase I/II trials in humans

Table 2. Estimates of the global annual expenditure in 1993 on HIV/AIDS research and development in US\$ million.

	Total expenditure on HIV/AIDS	Expenditure on preventive HIV vaccines
Intergovernmental		
WHO	10.0	2.7
European Union	8.2	1.3
Other	*	< 1.0
Governmental		
France	36.0	6.9
Germany	11.7	2.1
Japan	4.8	0.7
Sweden	6.5	1.0
United Kingdom	23.0	2.5
United States	1362.0	111.0
Other	*	< 5.0
Commercial	*	< 25.0
Philanthropic	*	< 2.0
TOTAL		< 160.0

* Data not available.

Source: Data from multilateral and national programs, and personal communications from commercial and philanthropic organizations.

Table 3. Potential models for a new global HIV vaccine initiative.

Model	Examples
Task Force	<u>Task Force for Child Survival and Development</u> – An international effort to enhance worldwide immunization of children and to reduce the burden of infection and malnutrition in children. Founded by the WHO, UNICEF, UNDP (United Nations Development Programme), World Bank, and Rockefeller Foundation, it has a free standing secretariat housed at the Carter Center in the United States.
	<u>The International Task Force on Hepatitis B Immunization</u> – An international effort to make hepatitis B vaccine affordable for wide-scale use and to integrate the vaccine into national immunization programs in areas where hepatitis B is hyperendemic. The task force is composed of independent professionals working in the areas of hepatitis B and international health. The operating agency for the task force is PATH (the Program for Appropriate Technology in Health) which is based in the United States.
Donor collaboration	<u>The Children's Vaccine Initiative (CVI)</u> – An international effort to harness new technologies to advance the immunization of children throughout the world. The CVI was founded by the WHO, UNICEF, UNDP, World Bank, and Rockefeller Foundation and has recently moved its headquarters to the WHO. The founders recognized that other entities needed to be involved which led to the formation of the CVI consultative group which is composed of representatives of national immunization programs, multilateral, governmental, and nongovernmental organizations, and commercial and public-sector vaccine manufacturers. The activities of the CVI are carried out by task forces and product development groups.
	<u>Consultative Group for International Agricultural Research (CGIAR)</u> – An informal association of 41 public and private sector donors that supports a network of 18 international agricultural research centers. Donors give to the center of choice. The association has two secretariats – technical (provided by the FAO) and management (provided by the World Bank). In 1992 the financial resources available to the 18 centers totaled US\$ 335 million.
	<u>Global Environmental Facility (GEF)</u> – An umbrella administrative mechanism for a wide range of environmental financing operations housed at the World Bank. The GEF was launched in May 1991 as a three-year pilot project with commitments from participating governments totaling US\$ 1.4 billion. The funds are to be used to make grants and concessional loans to finance projects in developing countries, generating global environmental benefits not possible under normal lending operations of the multilateral financial community. The GEF is managed by the three sponsoring agencies: the World Bank, UNDP, and UNEP (United Nations Environment Programme).

**Private
consortia**

Inter-Company Collaboration for AIDS Drug Development

– A collaboration of 15 pharmaceutical companies engaged in ongoing HIV antiviral research. The collaboration was formed to facilitate the conduct of early human effectiveness trials of antiviral drugs by better enabling companies to conduct independently early stage combination studies of their respective investigational antiviral AIDS compounds.

Electric Power Research Institute (EPRI)

– A consortia of 720 U.S. electric utilities founded in 1972 with the objective of applying science and technology to the benefit of consortia members and their customers. The consortia is funded by member contributions and in 1990 had a budget of US\$ 360 million. EPRI functions primarily as a secretariat and contracts research out to other organizations.

Microelectronics and Computer Technology Corp (MCC)

– A consortia of 21 U.S. electronics, high-tech, and aerospace firms formed in 1977 to enhance competitiveness in information technology. The consortia acts as a central research laboratory for its members with over 90 % of its work completed in MCC laboratories. MCC is funded primarily by contributions from its member companies and had a budget of US\$ 65 million in 1990.

**Public/
Private
consortia**

Semiconductor Research Corporation (SRC)

– A consortia founded by 7 U.S. device companies and 4 U.S. integrated computer-device companies in 1982. The SRC coordinates efforts that bring academics and industrial scientists together to work on problems in microstructure sciences, manufacturing sciences, and design science. The SRC maintains no laboratories or working scientists of its own. Instead it focuses on merging the efforts of industrial and academic scientists through its committees. After a program has been agreed upon, the SRC provides funds received from member companies to universities and also serves as the administrator of programs funded by government agencies. SRCs budget for 1990 was US\$ 35 million.

Sematech

– A consortia of 17 U.S. semiconductor and computer companies and the U.S. government formed in 1987 to conduct research and development that would provide the U.S. semiconductor industry with the domestic capability for world leadership in manufacturing. The consortia receives funding from member companies and the U.S. government. In 1990 the total budget reached US\$ 200 million, over 50 % of which was provided by member companies.

Research in Advanced Communications for Europe (RACE)

– A consortium formed in 1985 to develop the technology base for integrated broadband networks in Europe. Over 100 organizations and the European Commission are members and it has an annual budget of around US\$ 650 million. The project was scheduled to last for 10 years.

Optical Technology Research Corporation (OTRC)

– A consortia of 18 Japanese companies formed in 1986 to develop and produce second-generation optoelectronic integrated circuits. OTRC carries out its own research and has an annual budget of US\$ 6.7 million. The project was scheduled to last for 10 years.

Airbus

– A consortia of 4 European companies formed to create a partnership that could compete head-on in the world aircraft market. Funding is provided by the companies, government subsidies, and now from sales of aircraft.

**Not-for-Profit
Institute**

The Population Council

– An international not-for-profit organization applying science and technology to the solution of population problems in developing countries. The Council, based in the United States, solicits funds required for its work. More than half of the Council's funds come from governments and United Nations agencies.

Program for Appropriate Technology in Health (PATH)

– An international not-for-profit, non-governmental organization focusing on the effectiveness, availability, safety, and appropriateness of technologies for health and family planning in developing countries. Support comes from a wide variety of funding sources including international health and family planning agencies, national governments, private foundations, and corporations. PATH is based in the United States.

The National Foundation for Infantile Paralysis

– A foundation established in the 1930's in the U.S. to develop a vaccine against polio. Funds were raised through public appeals (e.g. the March of Dimes) and from wealthy donors. The funds were used to sponsor basic research and once clear leads were identified to fund vaccine development. As vaccine candidates became available for human trials, the foundation assisted in the development of guidelines for conducting trials and also provided financial support.

The Concept Foundation

– A foundation established by the WHO's Special Programme for Research and Training in Human Reproduction (WHO/HRP) to hold and manage intellectual property rights to new products emerging from WHO/HRP research. The Concept Foundation is based in Thailand.

ANNEX 1

LIST OF MEETING PARTICIPANTS

HIV Vaccines - Accelerating the Development of
Preventive HIV Vaccines for the World

March 7-11, 1994

Bellagio, Italy

Jorge Barrientos
Manager for Health
Population, Health and Nutrition
S-11129
The World Bank
1818 H Street, NW
Washington, DC 20433
United States

Peter Carpenter
Mission+Values Institute
1 Larch Drive
Atherton, CA 94027-2125
United States

Seth Berkley, M.D.
Associate Director
Health Sciences Division
The Rockefeller Foundation
420 Fifth Avenue
New York, NY 10018
United States

Marcus Conant, M.D.
Conant Medical Group
350 Parnassus, Suite 808
San Francisco, CA 94117
United States

Natth Bhamarapravati, M.D., D.Sc.
Center for Vaccine Development
Institute of Sciences and Technology for
Development
Mahidol University at Salaya
25/25 Phutthamonthon 4
Nakhon Pathom 73170
Thailand

Jose Esparza, M.D.
Chief, Vaccine Development
Global Program on AIDS
World Health Organization
20 Avenue Appia
1211 Geneva 27
Switzerland

Colonel Donald Burke, M.D.
Walter Reed Army Institute for Research
1600 East Gude Drive
Rockville, MD 20850
United States

Donald Francis, M.D., D.Sc.
Department of Clinical Research
Genentech, Inc.
460 Point San Bruno Blvd.
South San Francisco, CA 94080
United States

Tony Garland, Ph.D.
 Senior Technical Advisor
 Research, Development and Medical Division
 The Wellcome Foundation, Ltd.
 Langley Court
 Beckenham, Kent BR3 3BS
 United Kingdom

Richard Mahoney, Ph.D.
 Vice-President
 Program for Appropriate Technology in
 Health
 4 Nickerson Street
 Seattle, WA 98109
 United States

Jaap Goudsmit, Ph.D.
 Human Retrovirus Laboratory
 Academic Medical Center at the University of
 Amsterdam
 Department of Virology, LI-1577
 NL - 1105 AD Amsterdam
 The Netherlands

Edward Mbidde, M.D.
 Director
 Uganda Cancer Institute
 P.O. Box 3935
 Kampala
 Uganda

Margaret Johnston, Ph.D.
 Acting Deputy Director
 Division of AIDS
 National Institute of Health
 6003 Executive Boulevard
 Solar Building
 Rockville, MD 20892
 United States

Dennis Panicali, Ph.D.
 President and CEO
 Therion Biologics Corp.
 76 Rogers Street
 Cambridge, MA 02142-1119
 United States

Takashi Kitamura, M.D., Ph.D.
 Director, Department of Virology
 National Institute of Health
 1-23-1, Toyama, Shinjuku-ku
 Tokyo 162
 Japan

John Petricciani, M.D.
 Vice President for Regulatory Affairs
 Genetics Institute
 87 Cambridge Park Drive
 Cambridge, MA 02140
 United States

Professor Jean-Paul Levy
 Directeur
 Agence Nationale de Recherches sur le SIDA
 66 bis, Avenue Jean Moulin
 75014 Paris
 France

Peter Piot, M.D., Ph.D.
 Director, Division of Research
 and Intervention Development
 Global Programme on AIDS
 World Health Organization
 CH-1211 Geneva 27
 Switzerland

Timothy Rothermel
Director
Division for Global and Interregional Projects
United Nations Development Program
1 United Nations Plaza
New York, NY 10017
United States

Dr. Britta Wahren
Professor of Virology
Karalinska Institute
Swedish Institute for Infectious Disease
Control
S-105 21 Stockholm
Sweden

Jane Rowley, Ph.D.
Warren Weaver Fellow
Health Sciences Division
The Rockefeller Foundation
420 Fifth Avenue
New York, NY 10018
United States

Roy Widdus, Ph.D.
National Vaccine Program Office
Department of Health and Human Services
Hubert H. Humphrey Bldg., Room 730E
200 Independence Avenue, SW
Washington, DC 20201
United States

Phillip Russell, M.D.
Special Advisor to the Children's Vaccine
Initiative
Johns Hopkins University
School of Hygiene and Public Health
Department of International Health
Hampton House, Room 225
624 North Broadway
Baltimore, MD 21205
United States

Lee Smith
Chairman, Board of Directors
National Leadership Coalition on AIDS
1730 M Street, NW
Suite 905
Washington, DC 20036
United States

AIDS VACCINES

Are Researchers Racing Toward Success, Or Crawling?

In 1990, AIDS researchers and stock analysts hailed Repligen Corp., a Massachusetts biotechnology firm, as a leader—many said the leader—in the race to develop a vaccine against HIV. Not only was Repligen collaborating with top AIDS researchers and publishing impressive scientific papers, the start-up had won financial backing from pharmaceutical giant Merck & Co. A 1990 investors' guide from Shearson Lehman Hutton predicted that if human tests of the vaccine went well, Repligen and Merck might ask the U.S. Food and Drug Administration to license it as early as the end of 1994.

Fast forward to 19 July 1994. On that day, Repligen announced that, because of a "lack of available funding," it was axing its HIV vaccine research and development program. One way of interpreting this startling turnaround is to assume it's a normal development in a long-distance race; after all, the early leaders in the New York City marathon seldom stay the course. A more skeptical view, however, holds that there never was a "race" to make an AIDS vaccine.

That view may seem as surprising as Repligen's fade-out, but a growing number of AIDS researchers have come to this depressing conclusion. Jaap Goudsmit, a leading AIDS researcher at the University of Amsterdam, says of the alleged race, "I haven't seen it." Wayne Koff, former head of the AIDS vaccine program at the National Institute of Allergy and Infectious Diseases (NIAID), who is now developing an AIDS vaccine at New York's United Biomedical Inc., says the idea of a "race" is largely "a game" played at scientific meetings. "There's a lot of noise and a lot of posturing"—and little else, says Koff.

The reason pharmaceutical companies aren't pouring dollars and energy into AIDS vaccines the way they would into a hot new mood-elevating drug is simple: The AIDS vaccine market in developed countries is likely to be much smaller than early estimates indicated. As a result, only a handful of companies are committed to the search, mostly biotech start-ups. And most of these companies are taking the same narrow approach, which limits the chances of success, say Koff and Goudsmit.

Not everyone accepts this downbeat view. But even congenial optimists must have found

it difficult to smile about the AIDS vaccine "race" in June, when two NIAID advisory panels decided that even the two most promising experimental vaccines are not ready for large-scale testing (*Science*, 24 June, p. 1839). NIAID director Anthony Fauci says the discussions by those panels "laid naked what a paltry effort" is being made to develop AIDS vaccines. "When all of the clothes get ripped away, what do we have?" asked Fauci.

Not a super market

Economics clearly isn't the only factor that is discouraging companies from entering the search for an AIDS vaccine. Another is the fact that the science is very tough. Animal models used to test AIDS vaccines have severe limitations; the genetic diversity of HIV may require an effective vaccine to be based on many viral strains; and no researcher has



A rocky start. The Rockefeller Foundation invited these vaccine experts to Bellagio, Italy, where they criticized the way the search for an AIDS vaccine is being conducted.

successfully demonstrated which immune responses correlate with protection from HIV.

Yet even with these high scientific hurdles, you might think the market for AIDS vaccines would have companies salivating. And early estimates did get their juices flowing. In Shearson Lehman's 1990 report, analysts estimated the market in the United States and Europe would include more than 67 million people, including homosexuals, intravenous drug users, health-care workers, prisoners, and college-age heterosexuals. If, on average, 15% to 20% of these people took a vaccine priced at \$150, it could be a \$1.6-billion-plus market.

Yet those estimates are rapidly deflating. In July the Rockefeller Foundation released a report, "Accelerating the Development of Preventive HIV Vaccines for the World,"

The University of Amsterdam's Goudsmit argues that this "50s technology" is "the first thing that should have been done." (Therion is, to a limited degree, pursuing a live, attenuated HIV vaccine, and Immuno recently has begun developing a whole, killed one.)

Not only are most experimental vaccines taking the same genetically engineered approach, they are focusing on a single strain of the virus: the B subtype, which predominates in Europe and the United States, but not in the developing world. This focus may result in vaccines with little relevance to many of the poor countries where HIV is spreading rapidly. Although one immune response might protect against different genetic subtypes of HIV, Bellagio participants felt that vaccines would be more likely to work if they were based on the viruses found in the population where they are being tested. But until now, companies have been reluctant to make different vaccines for different populations. Their strategy is to prove they could protect against the B subtype and then, if necessary, make vaccines from other subtypes. Epidemiologist John McNeil of the Walter Reed Army Institute of Research says that when he and his colleagues gave several companies HIV strains from Thailand hoping someone would make a vaccine, "for the first 18 months to 2 years, we basically didn't have anyone who was willing to do anything."

The real race

As story after story like McNeil's piles up, those in the field are discovering that the race for an AIDS vaccine is really a crawl. The Rockefeller Foundation's Seth Berkley, an internist and epidemiologist who organized the Bellagio meeting, says that not long ago, he thought the AIDS vaccine search was on track. "I had assumed—and I feel like a fool to say this—that the vaccine effort was taken care of and that everything was going great. But as I began to look at it closely, I saw that the vaccine effort was in trouble. And the situation was getting worse, not better, in terms of incentives for industry and the attention paid to the developing world."

To address those problems, the Bellagio report calls for a global HIV vaccine initiative. Though the report doesn't detail what the initiative would look like, it floats several ideas, including a task force, a consortium, or a nonprofit institute. Berkley says his next steps are to develop a scientific plan laying out specific gaps and a business plan with estimated costs. "More has to be done," says José Esparza, who heads AIDS vaccine development at WHO. "If we maintain the present level of effort, we're not going to have a vaccine in a reasonable amount of time." And that could be a disaster, because the one thing AIDS vaccine developers are truly racing against is time.

—Jon Cohen

The Urgent Need for a Vaginal Microbicide in the Prevention of HIV Transmission

It takes two people to have sex, but only one to slow the spread of sexually transmitted diseases and acquired immunodeficiency syndrome (AIDS). A man can use condoms, but a woman's choices are limited. The most glaring gap in AIDS prevention is the lack of a method a woman can use when she suspects her partner may have a sexually transmitted disease or human immunodeficiency virus (HIV) infection and she cannot compel him to use a condom.

The paper by Weir et al.¹ on a reduction in cervical gonorrhea among sex workers (prostitutes) in Cameroon using nonoxynol-9 and the letter by Feldblum and Weir² reporting a protective effect of nonoxynol-9 against HIV infection are important steps forward. It is to be hoped that such publications will lead to more aggressive research strategies.

Nothing is being done in this field today that was not clearly understood and advocated by some people in the mid-1980s.^{3,4} The primary question has always been, Can an acceptable, effective, and potentially cheap microbicidal agent be developed for vaginal use that will kill HIV but not damage the epithelium of the reproductive tract of either partner?

The risks of sexually transmitted diseases and AIDS are cruelly stacked against women. Sexually transmitted diseases present fewer symptoms but carry more long-term sequelae in women than in men; sexually transmitted diseases and HIV pass more easily from men to women than vice versa,⁵ so even though the average man has more sexual partners than most women, women acquire HIV at an earlier mean age than men; and women can pass sexually acquired infections and HIV to the next generation during pregnancy, delivery, or breast feeding. Sexual injustice and violence against women are common, and sexually transmitted diseases and AIDS spread most rapidly where women are most disadvantaged: among prostitutes it is those who charge least who are most likely to get infected. The female condom is a welcome new choice for women that should slow HIV transmission, but it cannot be used without the man's knowledge.⁶

Chemical methods that can be controlled by women are likely to have a

powerful effect on the spread of HIV for several reasons. They could be distributed rapidly and cheaply by well understood social marketing techniques. They have the potential to slow HIV transmission directly and to reduce other sexually transmitted diseases that are cofactors in transmission.⁷ Women make a heavier investment in reproduction than men and therefore are often more cautious in their reproductive behavior: in Rwanda, three quarters of women with whom AIDS prevention was discussed chose a method they could control alone.

It has been suggested that a vaginal microbicide might be less effective than condoms but so simple to use that some couples would stop using condoms and consequently expose themselves to a greater risk of HIV infection. One US study, however, found that women who used spermicides or a diaphragm had a lower sexually transmitted disease reinfection rate than those whose partners used a condom, suggesting that compliance may be more important than effectiveness in slowing transmission.⁸ Simple analysis demonstrates that unless very implausible variables are put into models of HIV transmission, the addition of a woman-controlled method will have a welcome positive impact on slowing the spread of infection.⁹ The consistent experience of family planning is that contraceptive prevalence is most likely to reach useful levels when many methods are available through a variety of channels, and the same generalization seems likely to apply to sexually transmitted diseases and HIV prevention.

Sadly, the global AIDS pandemic has often been associated with poor decision making and political cowardice, and the scientific community has stumbled several times on the path toward vaginal microbicidal agents. Rosenberg and colleagues provided clinical evidence in 1987 that nonoxynol-9 in a vaginal sponge slowed the transmission of gonorrhea and chlamydia among Thai sex workers.¹⁰ When a similar study was conducted among women sex workers exposed to HIV in Kenya, however, an increased risk of genital ulcers and possibly of HIV transmission was observed.¹¹ Although it was a small study with a limited design (only case subjects used the intravaginal sponge, the vehicle for treatment), the study was

convincing enough to stop policymakers from recommending the sponge as a prophylactic¹²; however, it also seems to have slowed research in this field when in fact it should have accelerated it. Most drugs are toxic in high doses, and the sponge used in Kenya contained 10 times as much nonoxynol-9 as the suppository used in Cameroon. Frequent repeated use of high doses of nonoxynol-9 is associated with signs of damage to the vaginal epithelium.¹³

In the Cameroonian study, 303 sex workers were counseled to use suppositories containing 100 mg of nonoxynol-9 and to ask their partners to use condoms every time they had sex. The results were analyzed according to self-reported use of both methods, condoms or spermicides alone, or nothing at all. Few gonococcal infections occurred in the group that used both methods consistently, and for every 1% increase in the use of condoms or spermicides alone the risk of gonorrhea was reduced.¹ The effectiveness of nonoxynol-9 in low doses is encouraging. Feldblum and Weir's reanalysis of previous data from Cameroon is the strongest evidence to date that nonoxynol-9 can deter HIV transmission; it suggests that the Kenyan study was misleading because the high doses used damaged the genital epithelium, increasing the risk of HIV acquisition.

Many chemical entities kill HIV in vitro.¹⁴ A recent paper draws attention to a new entity, gramicidin, that is 1000 times as effective as nonoxynol-9 against HIV.¹⁵ The vaginal pH and the buffering capacity of the product are important variables that must be taken into account in determining the survival of the virus.¹⁶ In addition to nonoxynol-9, chlorhexidine, benzylkonium chloride gossypol, and even dextran sulfate are effective in vitro and have regulatory approval for use in humans. It would be prudent to conduct a coordinated program of international research on more than one product and formulation. Focus groups could be used to test the acceptability of delivery vehicles (pessaries, films, foams, etc.) among both sex workers and women in domestic sexual partnerships. Acceptable formula-

Editor's Note. See related article by Weir et al. (p 910) and letter by Feldblum and Weir (p 1032) in this issue.

tions should then be tested at a number of concentrations, initially in female volunteers not exposed to the risk of sexually transmitted diseases or HIV, to screen for evidence of damage to the vaginal epithelium in the way pioneered by Roddy et al.¹³

Short-term policymaking and careful analysis of the next steps in research must be set in the framework of the continued exponential growth of HIV infection in many parts of the world. Even in the United States, HIV-infected women are among the most rapidly growing groups affected by the disease.¹⁷ Globally, the largest number of cases are the result of heterosexual transmission. By the turn of the century, it is projected that HIV will infect more people than died as combatants and civilians in World War II. From a public health perspective, a modest reduction in HIV transmission brought about by a vaginal microbicide made available today might save as many lives as a more effective method (e.g., a vaccine) made available in 10 years' time, when there might be 5 or 10 times as many infected people.

Should a vaginal microbicide be marketed on the basis of in vitro effectiveness against HIV and evidence that it does not damage the epithelium, or should new and existing compounds be withheld until convincing clinical trial data on their effectiveness are available? Specifically, should 100-mg nonoxynol-9 suppositories (which are approved by the Food and Drug Administration [FDA] and commercially available) now be recommended on the basis of Feldblum and Weir's reanalysis? If not, what data are needed and how will they be obtained?

At the least, just as the FDA has developed an accelerated route for testing AIDS therapies, it should accelerate the review process that will allow the labeling of a vaginal microbicide as protection against HIV. Weir et al.'s study is important because it presents an ethically acceptable model for testing the effectiveness of a microbicide: either everyone in a population at high risk of HIV infection is counseled to use both condoms and the microbicide and then groups are separated and analyzed by self-reported use or everyone is counseled to use condoms and then the microbicide and a placebo are

allotted randomly. Elias and Heise calculate that a study of a new product that was 70% effective in slowing HIV transmission, when used in a population with a 2% to 3% annual seroincidence of HIV infection, would require a sample of approximately 1000 women.¹⁴ In the interests of US women and the global community, it would also be prudent to explore other entities and formulations. It might cost \$2 million and take 12 to 24 months to select and develop new entities and perhaps another \$2 million and as long again to complete clinical trials.

The National Institutes of Health, the US Agency for International Development, the World Health Organization (WHO), and the Medical Research Council in the United Kingdom have all discussed vaginal microbicides. The WHO Global Program on AIDS has acknowledged the need for research, and the Population Council is giving the topic priority. Nevertheless, an appropriately financed and coordinated research program is not yet in place. Those who control resources should either change their policies to recommend low-dose vaginal preparations on the basis of available data or immediately put in place the money and personnel needed to gather more data so a policy decision could be reached by early 1995.

Many lives might have been saved if such work had been initiated earlier, and the lack of decisive action is unacceptable when for every year we wait there may be twice as many HIV-positive individuals in vulnerable groups. □

Malcolm Potts

The author is with the Department of Social, Community and Behavioral Health Sciences, School of Public Health, University of California, Berkeley.

Requests for reprints should be sent to Malcolm Potts, MB, BCh, PhD, Department of Social, Community and Behavioral Health Sciences, School of Public Health, University of California, Berkeley, CA 94720.

References

1. Weir SS, Feldblum PJ, Zekeng L, Roddy RE. The use of nonoxynol-9 for protection against cervical gonorrhea. *Am J Public Health*. 1994;84:910-914.
2. Feldblum PJ, Weir SS. The protective effect of nonoxynol-9 against HIV infection. *Am J Public Health*. 1994;84:1032-1034. Letter.

3. Hicks DR, Martin LS, Getchell JP, et al. Inactivation of HTLV-III/LAV-infected cultures of normal human lymphocytes by nonoxynol-9 *in vitro*. *Lancet*. 1985;2:1422-1423. Letter.
4. Stein Z. HIV prevention: the need for methods women can use. *Am J Public Health*. 1990;80:460-462.
5. European Study Group on Heterosexual Transmission of HIV. Comparison of female to male and male to female transmission of HIV in 563 stable couples. *BMJ*. 1992;304:809-813.
6. Bounds W, Guillebaud J, Newman GB. Female condom (Femidome TM): a clinical study of its use-effectiveness and patient acceptability. *Br J Fam Plann*. 1992;18:36-41.
7. Berkley S. The public health significance of sexually transmitted diseases in HIV infection in Africa. In: Chen L, Sepulveda J, Segal S, eds. *AIDS and Women's Reproductive Health: Science for Policy and Action*. New York, NY: Plenum Press; 1991:73-84.
8. Rosenberg MJ, Davidson AJ, Chen J-H, Judson FN, Douglas JM. Barrier contraceptives and sexually transmitted diseases in women: a comparison of female-dependent methods and condoms. *Am J Public Health*. 1992;82:669-674.
9. King TDN, Sokal DC, Crane S, Potts M. Modelling the efficacy of vaginal virucides. Poster presented at the Ninth International Conference on AIDS; June 6-11, 1993; Berlin, Germany. Abstract Po-C38-3300.
10. Rosenberg MJ, Rojanapithayakorn W, Feldblum PJ, Higgins JE. Effect of contraceptive sponge on chlamydial infection, gonorrhea and candidiasis—a comparative trial. *JAMA*. 1987;257:2308-2312.
11. Kreiss J, Ngugi E, Holmes K, et al. Efficacy of nonoxynol-9 contraceptive sponge use in preventing heterosexual acquisition of HIV in Nairobi prostitutes. *JAMA*. 1992;268:477-482.
12. Baird KD. The use of spermicide containing nonoxynol-9 in the prevention of HIV infection. *AIDS*. 1991;5:791-796.
13. Roddy RE, Cordero M, Cordero C, Fortney JA. A dosing study of nonoxynol-9 and genital irritation. *Int J STD AIDS*. 1993;4:165-170.
14. Elias CJ, Heise L. Challenges for female controlled microbicides. *AIDS*. 1994;8:1-9.
15. Bourinbaier AS, Lee-Huang S. Comparative *in vitro* study of contraceptive agents with anti-HIV activity: gamicidin, nonoxynol-9, and gossypol. *Contraception*. 1994;49:131-137.
16. Voeller B, Anderson DJ. Heterosexual transmission of HIV. *JAMA*. 1992;267:1917-1918. Letter.
17. Ellerbrock TV, Bush TJ, Chamberland ME, Oxtoby MJ. Epidemiology of women with AIDS in the United States, 1981 through 1990. A comparison with heterosexual men with AIDS. *JAMA*. 1991;265:2971-2975.

THE WHITE HOUSE
WASHINGTON

October 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN ^{TS}
PHIL CAPLAN ^{PC}

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Lake response to Cockburn article in NYT on defense spending.** In his October 3 op-ed, Cockburn levelled a slew of charges on the theme that DOD is overspending on the wrong things, fattening up contractors and developing unnecessary weapons while readiness suffers. He also claimed that DOD paid \$31 million in bonuses for top executives of Martin Marietta and Lockheed when they agreed to merge and that Sec. Perry, former Deputy Sec. Deutch and Under Sec. Kaminski controlled Cambridge Associates when it received an \$825,000 DOD contract. Tony refutes Cockburn's claims point by point.

(B) **Rubin note with memo on Japan's economic outlook.** Memo paints a pessimistic picture of Japan. A weak recovery is expected; growth potential has slowed to U.S. level or lower; U.S. living standards are 30% higher and gap is expected to widen; banks face a massive bad loan problem and are not globally competitive in sophisticated products; an aging population will increase burden of social security and health benefits; companies are burdened by excess labor and outmoded organizational structures; Japan has only 1/3 the computers and 1/7 the PC users hooked into networks, per capita as the U.S.; import barriers and resistance to deregulation have hurt efficiency by insulating many industries from international competition; the high yen is hurting some major producers, like Honda and Mazda; Japan has a high savings rate, but has made many bad investments at home and abroad.

(C) **Samuels response on retirement plans/savings for temporary workers.** Via Secretary Rubin. Administration measures to promote retirement plans and savings for temporary workers, such as independent contractors, office temps and those who work part-time at home: (i) NEST proposal would introduce a simple retirement savings plan for small businesses, including independent contractors, combining best of 401(k) and IRA; (ii) Leased Employees - would clarify tax rules to ensure that

✓
End
See my memo
to Samuels
10/13/95
TS



DEPARTMENT OF THE TREASURY
WASHINGTON

THE PRESIDENT HAS SEEN
10-13-95

ASSISTANT SECRETARY

October 4, 1995

95 OCT 4 P6:34

MEMORANDUM FOR PRESIDENT CLINTON

FROM: LES SAMUELS *LS*
THROUGH: SECRETARY RUBIN *R. E. R.*
SUBJECT: Promoting Retirement Plan Coverage and Savings for
Temporary Workers

We understand that you have asked whether the Administration is taking steps to promote retirement plan coverage and savings for temporary workers, especially since more and more workers are becoming "permanent" temporary workers. "Temporary workers" generally include self-employed independent contractors who serve various customers (including people who work part-time from their home) or employees of a leasing organization (such as a secretarial "temp" agency or a firm that supplies its customers with computer consultants), as well as other employees who frequently move from employer to employer. The Administration has proposed several measures that would promote retirement plan coverage and savings for these temporary workers.

- **The NEST.** The Administration's pension simplification proposal would introduce a new, simple retirement savings plan (National Employee Savings Trust or the NEST) for small businesses, including temporary workers who operate as independent contractors. The NEST minimizes administrative and compliance costs and eliminates the need for employer involvement with the government. NEST contributions would be 100% vested immediately, and account balances would be freely transferable to IRAs, to promote portability of benefits for workers who change jobs frequently. Designed to combine the most attractive features of the IRA and the 401(k) plan, the NEST provides for both employee salary reduction contributions and employer contributions.
- **Leased Employees.** The "leased employee" rules in the tax code are generally intended to prevent employers from avoiding retirement plan coverage of lower-paid employees by leasing these workers from another employer. The Administration's pension simplification proposal would clarify these rules to ensure that a worker who truly is an independent contractor does not lose work opportunities because the business is concerned that the worker might be a "leased employee." Although this change may give businesses greater latitude to avoid covering these workers under their employee benefit plans, the NEST would provide a simple alternative way for the independent contractor to save for retirement.

- **Expanded IRAs.** Many temporary workers who are covered by an employer's retirement plan never receive benefits because their employment terminates before their benefits vest. Many of these employees cannot currently make any deductible IRA contributions because their income exceeds the threshold at which the IRA deduction is fully phased out (currently \$50,000 for married taxpayers). The Administration's IRA proposal includes a higher income threshold (\$100,000 for married taxpayers) that would enable these workers to make fully deductible IRA contributions.
- **Faster Vesting for Multiemployer (Union) Pension Plans.** Many unionized employees in a particular industry (e.g., construction) move from job to job and work only temporarily for any one employer. These employees are often covered by a multiemployer (union) pension plan. The Administration's pension simplification proposal would shorten the maximum period over which pension benefits under these plans must vest from ten years to five years.

We are working actively on the temporary worker issue -- especially with respect to "permanent" temporary workers and are continuing to consider possible further proposals in this area.

Wares / 65 - New Do transfer to her BC

LETTERS SATURDAY, OCTOBER 14, 1995

Don't Repeal Nursing Home Rules That Work

To the Editor:

"Bills Would Relax Federal Controls on Nursing Homes" (front page, Oct. 7), on the Republican proposal to repeal standards adopted in 1987, provided important information that is getting little response from the public. In 1994, I completed a study of the Nursing Home Reform Act to determine what progress had been made since its implementation began.

My findings indicated a positive beginning in changing care to nursing home residents, a reduction in the use of physical and chemical

restraints, and some progress in staffing, evaluations and collaboration by nurses, doctors and other staff members. There was strong agreement that problems still existed in areas such as preadmission screening for mental illness and mental retardation, and cost.

Those most active in the nursing home arena shared the view that progress has been made and that the most important thrust of the law — the focus on the residents, their rights, care and dignity — had begun to be realized.

THE PRESIDENT HAS SEEN
10-16-95

This positive news is threatened by the Congressional recommendations to repeal the Federal requirements of this law. Federal nursing home standards would be abolished, and states would then establish their own rules.

The reason for Federal regulation in the first place was the abysmal record of states and the private sector in nursing home care. Problems in the industry have been identified in the literature since the mid-1930's. Neglect of residents, poor physical conditions, inadequate staffing, poor food and untrained personnel have been reported in professional and lay publications, and have been featured in newspaper and television exposés.

Now, even eight years after Federal regulation, there is tremendous variation among the states in the degree and the rapidity of their improvement.

CLAIRE FAGIN
Professor of Nursing
University of Pennsylvania
Philadelphia, Oct. 10, 1995

My Father's Story

To the Editor:

Re "Bills Would Relax Federal Controls on Nursing Homes" (front page, Oct. 7): Twenty-odd years ago my father was in a nursing home where I saw the indiscriminate use of tranquilizers and restraints. Such treatment turned a normal, peaceful 80-year-old into a delusional, violent person in less than two weeks. We decided to take him home, and within days he returned to normal.

The enactment of Federal standards was the result of overwhelming testimony about cases like mine. To permit the states to take back responsibility for regulation will mean the return of the horrors I have described.

SIDNEY Z. COHN
North Bellmore, L.I., Oct. 8, 1995

Some Restaurants T

To the Editor:

It's interesting that "Taking Heart in New York City" (Week in Review, Oct. 8) cites O'Neals' restaurant, whose business is up 10 percent this year, as implicitly typical of a restaurant boom.

More interesting to note is that O'Neals' is one of the city's few restaurants that continue to welcome smokers (35 percent of the native population, up to 55 percent of the city's foreign tourists).

Elsewhere, the news isn't nearly so encouraging. A telephone survey of 1,000 city restaurants, conducted by the National Smokers Alliance, and a written survey, conducted by the American Smokers Journal (where forms were filled out and signed by restaurateurs), showed nearly identical negative results: About 55 percent of the restaurants surveyed reported losing money in a range from 3 percent to 35 percent, directly attributed to the 10 smoking ban. More interestingly, of those who weren't losing money, nearly 95 percent were, in one way or another, exempt from forcing strictures of the ban.

Jim Dorskind

Please coordinate the reply.



Richard Beckerman

Finally, you say that the city's restaurants "had 129,300 workers in June, 3,300 more than a year earlier." But three of those months preceded the city's draconian exclusion of smokers from all of the city's public life.

STEPHEN HANDMAN
President
American Smokers Alliance
New York, Oct. 10, 1995

e Treasury Market Handle a Default

Price of Default"
Roger C. Altman
"th a budget
s" and says
who buy

Goals 2000 Doesn't Dictate What to Teach

To the Editor:

"Why New Hampshire Said No to \$9 Million" (Op-Ed, Oct. 7) by George W. Fellendorf, chairman of the New Hampshire Christian Coalition, distorts Goals 2000 beyond recognition.

He claims that the Federal education program "substitutes"

nity for waivers from other Federal education requirements.

Mr. Fellendorf leaves the absurd impression that Goals 2000 will swoop parents up in some sort of dragnet. He is unable to distinguish between what promotes what's learn

Economic Scene

Peter Passell THE PRESIDENT HAS SEEN

10-16-95

Why is a rich country down in the dumps, if it is?

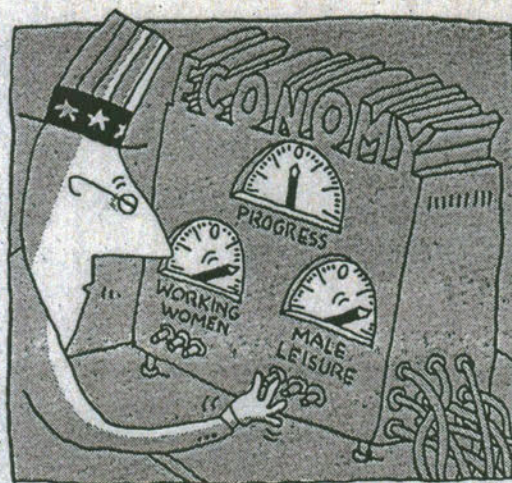
IF the economy is up, why is America down? That question certainly interests President Clinton, who is planning to lead the nation from its funk (assuming it's in one). But it is also the title of the cover article in the October issue of *The Atlantic Monthly*, the work of three researchers at a left-of-center think tank in San Francisco called Redefining Progress.

The article will no doubt be dismissed by some as a familiar critique of the ways professional bean counters mismeasure economic progress by focusing so intently on the gross domestic product, a barometer designed to measure the total output of goods and services produced by the economy. And in this case, the critique is also spiced with just a pinch of paranoia. But the core of the argument — that traditional income accounting offers at best an incomplete index of national welfare — deserves a close look.

A different index, termed the "genuine progress indicator" by the authors, is not likely to "transform our society," as the magazine's headline writers suggest. Indeed, recent research suggests that better numbers are as likely to lead to self-satisfaction as outrage. Surely, though, it would be healthy to re-examine the G.D.P. measure, which was never intended as the last word on the economic well-being.

The authors, Clifford Cobb, Ted Halstead and Jonathan Rowe, point out that national income accounting is a relatively new concept whose evolution closely tracks the rise of activist government since the Great Depression. They also point out that implicit in the calculation of income and growth is a lot of conceptual corner-cutting.

With a few exceptions, only goods and services that change hands for money are counted. Conse-



Nicolae Asciul

quently, Big Macs add billions to national income but the homemade lasagna they are displacing never shows up. Since leisure isn't bought and sold, the time to read Dickens, run marathons or make love that is lost when someone takes a second job is not weighed against the extra income generated. And since resource depletion and environmental degradation don't rate inclusion for the same reason, the Government effectively "treats the earth as a business in liquidation," they contend.

Most important, perhaps, the income accounts assume that all output generates value equal to its market price, no matter who buys it. Hence the distribution of income has no weight in an index used as a benchmark for economic welfare.

None of this comes as a great shock to William D. Nordhaus and James Tobin of Yale University. A quarter century ago they attempted some revisions of the standard methodology. They found, Mr. Nordhaus said, that "leisure was the most important omission," surprisingly outpacing such factors as pollution and resource depletion.

But is leisure time falling? The explosion of women in the work force along with the rise of

day care centers and deliver-anything services suggests that it is. But Dale Jorgenson of Harvard University says more women in the labor force has been offset by an increase in male leisure, as men retire earlier. "Over all," Mr. Jorgenson says, "it's been a wash."

By the same token the resource depletion argument appears to be more sound than fury, at least for America. The Department of Commerce is now tracking changes in subsoil resource wealth as part of a broader project of "green" accounting. And Mr. Nordhaus contends that the impact is effectively zero: depletion is offset by technical change that makes it cheaper to extract minerals.

The news on pollution, yet to be measured as systematically by Washington, may prove even more cheerful. By virtually every benchmark, the air and water are cleaner than a decade ago.

Perhaps the ultimate ace in the hole for the optimists in this debate is an emerging consensus that price indexes overstate inflation — and thus understate growth. A commission led by Michael J. Boskin recently estimated that the failure to account fully for quality improvements in everything from prescription drugs to autos was falsely adding at least a percentage point annually to the calculation of inflation. And that implies that at least \$70 billion is being added each year to income without being counted.

Then there is that issue of income distribution. The rich certainly are getting richer and the poor poorer, in spite of what some House Republicans may say. But even here, it is unclear whether that translates into a fall in national welfare. Mr. Jorgenson argues that consumption is a better measure of welfare than income, and consumption, he insists, is no less equally distributed than it was in the 1970's.

Why, then, are Americans in the dumps? Perhaps they aren't. Or perhaps they are in a pensive mood after the cold war and not able to come to terms with a rapidly changing culture no longer united by a common enemy. "It's a new world out there," Mr. Jorgenson said, "not a worse one."

THE NEW YORK TIMES, THURSDAY, OCTOBER 12, 1995

Todd -
Send to Laura
Tyson?
Yes ☒
No ☐

How is this measured?
And what such low savings
how can distribution of
consumption be much
different from distribution
of income?
BC

Chase

THE PRESIDENT HAS SEEN
10-16-95

Sumner, Tim

Box

Nancy Snyderman;

Dr. Sandra Dalm
San Diego

~~Shirley Gray - Ron Attis~~

THE WASHINGTON POST
SATURDAY, OCTOBER 7, 1995

THE PRESIDENT HAS SEEN
10-16-95

Federal Cuts Put Squeeze On Welfare

*Maryland Pilot Program
At Risk, Task Force Says*

By Michael Abramowitz
Washington Post Staff Writer

Maryland may have to scrap its pilot welfare program and reduce basic grants to welfare recipients as the result of expected federal spending cuts, a task force of top state officials and welfare advocates has concluded.

Gov. Parris N. Glendening (D) said yesterday in an interview that his aides are drawing up plans to cut \$25 million to \$50 million from the \$650 million budget of the Department of Human Resources, which manages the state-federal welfare program in Maryland.

That represents the state's best estimate of the immediate fiscal impact of the welfare overhaul plans approved in both houses of Congress.

"We've got to move very quickly on all these [federal] losses," Glendening said.

State officials said that they had not determined how the cuts will be allocated and that a decision could come by November. But a task force of legislators, Glendening aides, local social service officials and advocacy groups has drafted a list of recommendations that include requiring welfare recipients to take any job offered and requiring other steps to keep people off welfare to begin with.

Although the idea is not part of their formal recommendations, task force members said the state also was seriously considering trimming the basic monthly welfare grant, which is \$373 a month for a family of three. That's already less than the \$406 monthly payment people on welfare received before the General Assembly cut grants in 1991 and 1992.

But the group's most controversial recommendation may be to drop the pilot welfare program scheduled to begin in April for 3,000 families in Prince George's and Anne Arundel

counties and in Baltimore. Aides said Glendening had not endorsed any of the recommendations yet.

Touted by state officials as a common-sense approach to the problem of welfare dependency, the pilot program would require participants to get a job or perform community service after three months on welfare. It also is designed to cushion the transition from welfare to work by providing more health and child care benefits for participants.

Even though state officials said the plan ultimately would save money, it would cost about \$6 million to implement over the next three years in the pilot jurisdictions and \$250 million more to put in place statewide.

The Clinton administration approved the pilot plan only two months ago. But the task force concluded that it may not be worth it to spend the money in the wake of welfare spending cuts that will reduce Maryland's federal funds by \$200 million over the next five years. Instead, members said, the state simply should incorporate some of the less costly features of the pilot program statewide, such as the tougher work requirements.

Del. Samuel L. Rosenberg (D-Baltimore), a task force member and one of the authors of the state's welfare reform bill, said the "fiscal reality is that you can't do" the pilot program. "We're being asked to do more with less," he said.

Like many other states, Maryland is engaged in furious last-minute deliberations over how to cope with the prospect of massive change in the federal-state welfare program. Both the House and the Senate have approved bills that would end the traditional federal guarantee of financial support to poor people who meet certain eligibility standards. Instead, the federal government would send federal money to the states in the form of block grants and give governors and state legislatures more discretion over how the money is spent. Both bills would cut millions from the funds states were expecting to receive from Washington.

Virginia officials said yesterday that they are confident that they are in better shape than Maryland. For one thing, Virginia already has implemented its own welfare overhaul that is far broader than Maryland's. State officials have estimated that their plan will pare thousands from the welfare rolls, saving as much as \$130 million over five years, or more than the Clinton administration's estimate of what Virginia stands to lose in the federal welfare overhaul.

Staff writer Spencer S. Hsu
contributed to this report.

Rahm
Fly -
Be

Navy Engine Seems to Run on Politics

Despite Official Misgivings, Development Project With British Proceeds

By Dan Morgan
Washington Post Staff Writer

Just days before House-Senate conferees decided last month to provide \$15.5 million more than the administration requested for development of a new, fuel-efficient engine for Navy warships, the commander of the U.S. Atlantic fleet recommended to the Pentagon that the project be ended.

"In this year's . . . budget process, the ICR Gas Turbine Engine Program stands out as a major cost without a realistic prognosis for long-term benefit," Adm. William J. "Bolt" Flanagan Jr. wrote Vice Adm. Thomas J. Lopez, the Navy's director of resources, warfare requirement and assessment Sept. 8.

Flanagan's concerns mirrored those in a report issued in July by the House Appropriations subcommittee on national security. It recommended the Pentagon terminate support for the engine being developed by Westinghouse Corp. and Rolls-Royce of Britain.

But on Sept. 22, senior members of the House and Senate Appropriations committees, meeting to resolve differences over the \$243 billion 1996 Pentagon spending bill, allotted \$41 million to continue development of the engine.

The survival of the project over the objection of one of the Navy's top officers illustrates the extent to which political concerns about jobs, and diplomatic factors unrelated to the military threat to the United States, have influenced spending decisions in the huge Pentagon appropriations measure awaiting final approval from the House and Senate, critics said.

A study of the bill by the Washington-based Council for a Livable World estimates it contains \$10.4 billion not requested by the administration for programs favored by key members of Congress. The House-Senate conferees alone added \$159 million for defense projects not included in bills passed earlier in the session by the two chambers.

"The bill's winners will be states and districts of the members of the military committees," the council charged.

Federal subsidies for the "Inter-cooled Recuperative Gas Turbine Engine program (ICR)," which has been underway since 1991, are strongly supported by Pennsylvania's congressional delegation. The engine, now being developed in England, would be assembled and tested at the Philadelphia Naval Shipyard, which closed recently.

Philadelphia Mayor Ed Rendell, who hopes the project will provide a new use for the yard, has given top priority to keeping it on track in Congress, sources said. And the project's Pennsylvania ties are strengthened by the fact that Westinghouse Electric is headquartered in Pittsburgh.

Sen. Arlen Specter (R-Pa.), a member of the Senate Appropriations defense subcommittee, played a key role in getting the project funded in the Senate version of the 1996 Pentagon spending bill. Rep. John P. Murtha (D-Pa.), ranking Democrat on the House Appropriations national security subcommittee, reportedly went along with the Senate position during the recent House-Senate conference.

Congressional sources said the decision also was influenced by a last-minute appeal to the conferees from the office of Defense Secretary William J. Perry to fund the project, notwithstanding the concerns raised by the Navy's Flanagan. For the British government, which has purchased some \$5 billion worth of military equipment from the United States in the past year, the ICR represents access to the U.S. market and potential military sales. The British government has advised Perry it considers the project an important part of U.S.-British defense cooperation.

Technical difficulties have plagued the program, according to the House report on the ICR. During a late 1994 test, a heat exchanger ruptured. The problems are serious enough that even a Pennsylvanian, Rep. Curt Weldon (R), a member of the Armed Services Committee, has asked the General Accounting Office for a report.

In his Sept. 8 letter, Flanagan listed a number of reasons for not proceeding.

"Although \$203 million has been invested to date, the sunk costs do not justify the continued investment in this era of constrained resources," he wrote Lopez. The engine relies on advanced techniques for capturing and reusing fuel emitted in the turbine exhaust. But Flanagan contended that "any projected long-term savings are speculative at best."

The engine, he argued, was "not a viable candidate" for retrofitting existing warships because of its size, weight and installation costs. If the engine was used to outfit new vessels, such as DDG-51 class Aegis destroyers, "the break-even point for the ICR would be around the year 2023," according to a Center for Naval Analyses study cited by Flanagan.

"Technological advancements are such that the ICR will most likely become obsolete before a return on investment is realized," Flanagan wrote. "High performance turbine engine technology continues to develop at a rapid pace in areas of improve ceramic coatings, [and] other new materials," he said.

But in a bow to the political and diplomatic realities, Flanagan concluded by saying, "I recognize that intercooler and recuperator design are dependent on foreign technology and this [recommendation] has the potential for impacting procurement understandings with the UK [United Kingdom]."

A few days later, Perry's office sent an appeal to the House and Senate conferees, challenging the House critique of the ICR, and urging support for the Senate-approved appropriation of \$45.5 million.

THE WASHINGTON POST
SATURDAY, OCTOBER 7, 1995

Levy
Fig - B

GOP Maneuvers Delay Money for Haiti Elections

Republicans Borrow From Democrats' Playbook

By Thomas W. Lippman
Washington Post Staff Writer

Taking a page from a book written by congressional Democrats in the early 1980s, Republicans on Capitol Hill are using restrictions on U.S. aid spending to harass the Clinton administration for its policy in Haiti and try to limit support for Haitian President Jean-Bertrand Aristide.

Senate Foreign Relations Committee Chairman Jesse Helms (R-N.C.) has held up release of U.S. funds to help finance Haiti's forthcoming presidential election until his staff analyzes the State Department's answers to voluminous, detailed questions Helms submitted about Aristide's performance and about how U.S. contributions have been spent.

And Senate Majority Leader Robert J. Dole (R-Kan.), a leading candidate for the GOP nomination to challenge President Clinton next year, attached to the foreign aid spending bill an amendment withholding all aid to Haiti in fiscal 1996 until Clinton certifies Aristide's government is not involved in political killings.

If these tactics sound familiar to the Democrats, they should. Democrats imposed similar restrictions on aid to El Salvador and other countries during the Reagan administration to demonstrate their concern about human rights abuses there.

Congress also prohibited all U.S. intelligence agencies from spending any money to support the anti-Sandinista rebels in Nicaragua known as the contras—the restriction the Reagan administration tried to circumvent in what became known as the Iran-contra scandal.

Now the situation is the reverse: a Democrat in the White House is supporting a Caribbean leader whom many in the Republican-controlled Congress dislike and mistrust.

Dole took issue on Friday with Clinton's claim of a foreign policy success in Haiti, where a year ago the popularly elected Aristide was restored to power by U.S. troops who forced out the military government that had overthrown Aristide. "President Aristide is well on his way to consolidating a one-party state," said Dole. "Credible evidence points to political killings and death squads being run by members of the Haitian government."

Under the amendment Dole attached to the foreign aid bill, no U.S. funds could go to Haiti until Clinton certified to Congress that Haiti has taken steps to address the concerns Dole expressed in his remarks, beginning with the March 28 murder of Mireille Durocher de Bertin, a prominent opponent of Aristide.

The case has never been solved, despite FBI help in the investigation.

Dole's amendment would also require the president to report to Congress on the status of several other political killings in Haiti, including those of Justice Minister Guy Malary in 1993 and Roger Lafontant, a longtime supporter of the Duvalier dictatorship, in 1991.

The House version of the bill does not contain the aid restrictions. If the Dole amendment is approved in conference, a Democratic congressional source said, Dole might score political points, but the measure will have little practical effect because Clinton would issue the required certifications and reports.

That is what happened in the 1980s, this source said: "Congress required a certification on human rights in El Salvador, Reagan certified anyway, and the aid went forward."

Helms, who has never made any secret of his dislike for Aristide, is using a different weapon to blunt the administration's claim to have restored democracy in Haiti: challenging the legitimacy of the U.S.-sponsored electoral process.

After widespread criticism of the way the Haitians handled parliamentary elections on June 25, Helms used his prerogative as chairman of the Foreign Relations Committee to hold up some of the \$7 million in promised U.S. support for a second round of parliamentary elections and a November presidential ballot.

He wanted to know who exactly would get the money, what it would be used for and what the Haitians were doing to get their polling procedures better organized. He also inquired about the Durocher killing.

The State Department sent detailed responses, but Helms was not satisfied, he fired off 19 more questions, demanding specific line-by-line accounting for expenditures of U.S. funds. The State Department responded on Sept. 29, sending in French-language balance sheets listing expenses in Haitian gourdes for items ranging from "pedagogic materials" to helicopter rental.

Helms is still blocking the release of about \$1.3 million while his staff analyzes the data, an aide said. Meanwhile, according to internal documents circulating at the U.S. Agency for International Development, "morale is slipping" among Haitian election workers who are not getting paid.

An election to choose Aristide's successor is set for mid-December, followed by a Feb. 7 inauguration.

"If they are going to have it in December they better hurry up," said Stan Schrager, spokesman for the U.S. Embassy in Haiti. "If they don't make mid-December, you are into the holidays and cutting it very close to the inauguration date."

Under Haiti's Constitution, Aristide cannot succeed himself, and a smooth transition is critical to the Clinton administration's plans to withdraw the last U.S. troops next March and proclaim the operation a success.

THE PRESIDENT HAS SEEN

10-16-95

THE WASHINGTON POST
SUNDAY, OCTOBER 8, 1995

Handwritten notes:
Dole
Helms
on the 9/25
10/16

Mexico's Made-in-USA Mess

THE PRESIDENT HAS SEEN
16-16-95

The Consensus That Fostered Failure

By Lance Taylor
and Jonathan Schlefer

WASHINGTON WILL play host this week to both Mexican President Ernesto Zedillo and delegations to the annual World Bank/International Monetary Fund meeting. It would be a good occasion for all these visitors to rethink the "Washington Consensus," a set of ideological free-market policies that the IMF and World Bank require in exchange for loans. Mexico and many other developing nations have willingly accepted the consensus, only to learn its grave perils.

In Mexico, the Washington Consensus was implemented in 1982 and was being hailed as a "miracle" by the late 1980s. This "miracle" led directly to the collapse of the peso late last year which, in turn, required a \$50 billion bailout organized by the United States and plunged Mexico into a deep recession that is punishing poor people and driving the middle-class into the streets to protest.

The cycle of hype and bust was familiar. It had played itself out in Chile in the 1970s. Gen. Augusto Pinochet, having overthrown a socialist government, decided to turn to famously conservative economists from the University of Chicago. "Los Chicago boys," as Chileans called them, brought a huge government budget deficit into surplus, sold off state-held firms, deregulated practically everything and opened the borders to foreign trade and finance. The IMF and World Bank lent money and praise to "the Chilean economic miracle," as Forbes called that nation's seeming free-market success in 1980.

And indeed, by that year inflation had dropped from 600 percent to 30 percent, the economy was growing 8 percent annually and international investment was pouring in. But by 1983 foreign speculators had pulled their money out, the Chilean peso had crashed and the Economist magazine declared Chile "another economic disaster." Output fell a staggering 14 percent in a year and official unemployment (always underestimated) was 26 percent. While the socialist government had left a \$7 billion debt, Pinochet had saddled Chileans with another \$12 billion.

Chile has done very well recently—by avoiding the Chicago boys' mistakes. Although it maintains a largely free-market system, the government provides critical guidance, regulates inflows of foreign finance when they threatened to deluge the economy in the early 1990s

and providing direct support for sectors involved in Chile's remarkable export success.

Unfortunately, the economic teams of Mexico and Argentina (consisting of PhDs from Harvard, MIT and Yale) have not been so flexible. They have come remarkably close to replicating the mistakes of the Chicago boys. Turkey, the Philippines and many other countries, including much of the former Eastern bloc, have suffered variations on the theme.

Mexico's failure is particularly significant because its team of economic policymakers was the best to be had—at least by consensus standards. True, Mexico is not a full democracy but if anything impeded the economic team it was precisely the move toward democracy and the social pressures that entails. If this policy mix is so precarious that Mexico failed, what other country can expect to succeed?

The Washington Consensus, articulated in the 1991 volume of the World Bank's annual World Development Report, calls for slashing government budget deficits, strictly controlling the amount of money in circulation, privatizing state-owned firms, ending regulations that interfere with markets and opening economies to global trade and finance. This economic policy prescription rests on two assumptions.

The first holds that a macroeconomic formula, developed by IMF research director Jacques Polak in 1967, can establish a vibrant and stable free-market framework: Cutting state spending and the amount of money "chasing after" goods is supposed to lower inflation almost painlessly

and improve the trade balance. The other assumption is that once the state is reduced to the role of a "night watchman," markets will be creative promoters of growth.

But as Chile and Mexico's experience shows, no rigid rules can simply force a society into a vibrant and stable market framework. Virtually any macroeconomic policy has contradictory effects. When the U.S. Federal Reserve so much as hints at controlling the money supply and raising interest rates to curtail inflation, it arouses fears of recession. The far tougher Washington Consensus formula for developing countries is likely to push an economy into deep recession.

This is exactly what happened when Mexico first adopted the consensus formula in 1982. Restricting the money supply via drastic cuts in government spending and interest rate hikes does improve the trade balance (a country in recession imports less) but, as Mexico learned, it also discourages entrepreneurs from making real investment in producing goods and jobs—the investment essential for economic prosperity.

The effects on the exchange rate, the number of pesos that one has to pay to get a dollar, and hence Mexico's (or any developing country's) economic link to the world, shows what subtlety is needed in setting macroeconomic policy. Mexico's economic team rigidly fixed this rate, to Washington's applause. Such a rule, pleasingly automatic to economists, may help the inflation of the peso to that of the dollar, providing a stable environment for firms to plan investment and negotiate wages. But it also had unintended, though predictable, consequences.

When Mexico also tore down barriers to foreign trade and finance, consumers bought more imports, from wheat to appliances, causing a trade deficit. Thus, Mexico had to borrow hard currency to pay for these goods. Other things equal, an American bank would rather have a

safe U.S. Treasury note than make a loan to a Mexican borrower. But if the Treasury is paying 7 percent, the foreign borrowers are paying 20 percent and Washington and the business press are hyping economic miracles and stability, that changes matters. Given this kind of interest-rate difference, loans poured into Mexico, providing dollars to buy imports.

In theory the Mexican government could have controlled import binges by depreciating the peso and thus making imports more expensive and stimulating exports. Rudiger Dornbusch of MIT, a mentor of the Mexican economics team, warned for several years that Mexico should do this. But depreciation entails both economic and political problems. To reduce the value of the peso would have made imports instantly more expensive, including many "intermediate goods" from corn to semiconductors that local firms need for production. Thus, though depreciation might have improved the trade balance, it would also have caused inflation. That, in turn, would erode real wages and firms' ability to buy imported capital equipment and intermediate goods. This would have pushed the country into recession. Plus, devaluation would have reduced the dollar value of stocks and bonds. Politically, few were willing to support it.

When the Chiapas uprising and two political assassinations in 1994 dampened foreign investment, Mexico ran short of dollars to pay for imports. It finally devalued, prompting foreign speculators to pull their dollars out. With Mexico heading for default—and Wall Street at risk for as much as \$50 billion—the U.S. government had to come to the rescue with the bailout of early 1995.

What the Washington Consensus ignores is history. No economy in the history of capitalism has industrialized without state promotion. The countries of East Asia, which avoided Washington

Consensus-type policies, have grown remarkably. In South Korea, for example, the government vigorously controlled foreign financial flows, set up industrial conglomerates, selectively protected them from imports and distributed subsidized loans in exchange for good export performance in monthly meetings at the presidential Blue House.

Western economies were not essentially different. The United States maintained high industrial tariffs from the 19th century through World War II, disseminated the "American system" of standardized production through military procurement and promoted railroads—hence steel and a range of other industries—through huge land grants.

To be sure, the history of state investment in developing countries has been marred by all too many examples of profligacy, corruption and simple ineptness. But, wisely conceived and managed, in most developing countries, state investment—whether in copper mines or oil wells to secure hard currency or in infrastructure—does not compete with but promotes private productive investment. Statistical estimates show that every peso of Mexican government investment yields another 90 centavos of private investment.

Government budgets, trade, finance and the rest of the macroeconomy do need to be maintained in reasonable balance, but rigid rules imposed from Washington are almost guaranteed to fail. Market competition helps make firms efficient, but state promotion can help give entrepreneurs confidence to invest in real production and jobs, not just financial speculation. In all too many developing and post-socialist economies, the Washington blend of economic policy has given speculation, not production, the upper hand.

THE WASHINGTON POST
SUNDAY, OCTOBER 8, 1995

Lance
wasn't
they right?

THE PRESIDENT HAS SEEN
16-16-95

Everywhere, Weapons That Keep On Killing

By CHRISTOPHER S. WREN

KEN RUTHERFORD, an American relief worker for the International Rescue Committee, was traveling a dusty road in rural Somalia on Dec. 16, 1993, when, he recalled, "the whole front of the car blew up." He looked down and saw his right foot, torn off by a land mine. "I was trying to put it back on," he said, "and it kept falling off."

He was rushed to Switzerland and the United States for treatment, which so far has cost \$250,000. But Mr. Rutherford, 33, who will soon undergo more surgery to reconstruct his mangled left foot, considers himself lucky. "The only reason I'm here is because I was born in this country," he said in an interview last week. "In developing countries, they don't have a chance."

Wars come and wars go, but land mines seem to last forever, perpetuating the slaughter long after the armies have gone home. Up to 110 million mines contaminate the soil of 64 countries, and mines kill or injure more than 20,000 civilians a year, the United Nations estimates. Several million of them lie buried in Croatia and Bosnia, where the cease-fire has now increased the prospects for the eventual deployment of American peacekeeping troops.

Always Planting

In fact, while about 100,000 mines are cleared annually, two million to five million more are planted, Secretary General Boutros Boutros-Ghali said last month. "If that trend continues," he said in a statement delivered to a United Nations conference on land mines in Vienna, "the international community will have to clear mines well into the third millennium and will have to suffer, between now and then, the loss of several million people who will be wounded or killed."

The 79 nations gathered in Vienna are discussing an indiscriminate weapon likelier to kill or maim farmers, shepherds, refugees and other civilians than soldiers. Proposals range from a total ban to requiring that some mines incorporate a timing device that will deactivate or destroy them after a set period.

The conference, which ends Oct. 13, is reviewing part of a 1980 Convention on conventional weapons covering land mines and booby traps. Forty-nine nations, including the United States, have signed the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to be Excessively Injurious or to Have Indiscriminate Effects, as it is formally titled.

Twenty-nine nations have stopped exporting anti-personnel mines. Belgium passed the first law banning their production, use and export. Austria destroyed its stockpile and France has begun doing so.

"The United States should be showing a lot more leadership than it is," said Senator Patrick Leahy, Democrat of Vermont, who wants a year's moratorium on the use of some anti-personnel mines by the American armed forces.

Almost everyone agrees that land mines have wreaked tragedy on innocent civilians like Mr. Rutherford, but consensus on what to do remains elusive. "There are a lot of practical problems," said Joerg Wimmers, a lawyer with the United Nations Mines Clearance Unit. For one, land mines are cheap and accessible to poorer nations. An anti-personnel mine can cost as little as \$2, prompting Senator Leahy to call

them the "Saturday night specials of warfare."

Some nations contend that land mines have legitimate uses. "Mines are effective defensive weapons for many countries, especially developing ones, to resist foreign aggression," Li Chenghe of China, a leading producer of mines, said at the Vienna conference. And Gilbert Chauny of Peru asked other delegates to consider the "special situation" of countries afflicted by criminal and terrorist groups.

No Civil Wars

Even if nations restrict some types of mines, compliance is almost impossible to verify. And the 1980 Convention applies to wars between nations, not to internal conflicts like those in Angola, Cambodia or Bosnia.

Mine warfare dates to the American Civil War, when General William Tecumseh Sherman, who was never squeamish, denounced land mines as a "violation of civilized warfare." A century later, as many as a third of American casualties in Vietnam were caused by mines, many of them American-made.

By now, they have become so routine in military arsenals that it is difficult to create the kind of international consensus that produced sweeping bans on chemical weapons, for example. Johan Molander, chairman of the Vienna conference, has admitted that "no rule of international law pertaining to the use of a weapon will stand a chance to be observed if it is incompatible with perceived legitimate defense interests."

To rid the world of all buried land mines would cost as much as \$58 billion. Kuwait spent \$800 million purging its territory of mines after the Gulf war. But even where other mine-clearing operations are underway, as in Afghanistan or Mozambique, mines still get exploded, as a de-mining specialist phrased it, "one arm and one leg at a time."

Senator Leahy's proposal for a moratorium passed the Senate last month by a vote of 67 to 27. Though the amendment would not take effect for three years and would exempt mines fenced along frontiers and demilitarized zones, the Pentagon has lobbied to block it. Gen. John Shalikashvili, the chairman of the Joint Chiefs of Staff, said land mines were needed to minimize American war casualties — an argument that Senator Leahy said was made for poison gas after World War I.

Self-Destructing

The Clinton Administration proposed that some types of anti-personnel mines carry self-destruct mechanisms, but such devices have a failure rate of about 10 percent. In any case, poorer nations have little incentive to pay extra for a mine that renders itself inoperable after 60 or 90 days.

Senator Leahy said he fears the continuing toll could include Americans sent to keep peace in Bosnia, which is strewn with about 1.5 million mines. "Some poor sergeant out on patrol will get killed," he said.

See Leahy
trial on 10/11/95
10/11/95

THE WASHINGTON POST
SATURDAY, OCTOBER 7, 1995

THE PRESIDENT HAS SEEN

10-16-95

Calculating the Cost-of-Living Shopping Cart

Two Sept. 26 op-ed articles—Daniel Patrick Moynihan's "The CPI: An Easy Fix . . ." and James K. Glassman's ". . . And an Ace in the Hole"—share the prize for breathtaking misuse of logic. Both of these articles claim that the consumer price index (CPI) consistently overstates the true inflation rate of the cost of living, and they both cite a congressionally commissioned study led by Michael J. Boskin that purportedly supports this claim. But the arguments they give are clearly flawed.

Sen. Moynihan states: "For example, if the price of beef increases more rapidly than other meats, shoppers may shift their purchases away from beef to pork, poultry or fish. . . . The CPI does not reflect this substitution among items as a cost-of-living index would." Similarly, Mr. Glassman says: "But consumers respond to rising prices by changing their habits—and the weights they assign various goods and services in their own budgets. For example, if oil jumps, households cut back on driving; if drug prices rise, they switch to generics."

On this basis, Sen. Moynihan and Mr. Glassman would cut annual cost-of-living increases for Social Security recipients, retired federal employees, military retirees and others tied to the CPI by at least one percentage point. If the CPI increases by 3 percent, they would make the cost-of-living increase 2 percent, possibly even less.

All this seems perfectly logical until one realizes that "substitution among items" works both ways, a fact that is conveniently overlooked by these gentlemen. To complete the senator's example, if the cost of meat or fish rises less rapidly than an individual's income, that individ-

ual might substitute more expensive cuts. This is likely true for other items in the CPI market basket of goods as well.

So, while Sen. Moynihan and Mr. Glassman are right in saying that the CPI may not reflect the true cost of living, they are quite wrong in assuming that the true cost of living is always less than the CPI. Depending mainly on how the average income of Americans changes from one year to the next, the true change can be greater than, equal to or less than the change in the CPI.

So what is the best solution for determining cost-of-living increases? A fair way is to base these increases on the change in average annual income, a statistic that can probably be tracked quite accurately. (Annual increase in average disposable wealth might be even better, but that is probably more difficult to determine.) In years when average income lags behind inflation, the cost-of-living increase would be less than the CPI, meaning that Social Security recipients, etc., would share a relative lowering of their standard of living with the average American. If the average income rises faster than inflation, these recipients should have the opportunity to share in an increased standard of living as well.

What is particularly galling about the solution favored by Sen. Moynihan and Mr. Glassman is that senior citizens and others dependent on cost-of-living adjustments would be forced to absorb a continuing, compounded reduction in their standard of living so that Congress can balance the budget in seven years while simultaneously legislating large tax breaks that would chiefly benefit the rich.

KENNETH H. BERGMAN
Washington

Although I'm a retiree and largely dependent upon COLAs to maintain my standard of living, I'm willing to concede that CPI increases may well overstate the true increases in the cost of living. But I hope the logic underlying the study is better than that contained in the pieces by Sen. Moynihan and Mr. Glassman.

I take issue with Sen. Moynihan with considerable trepidation, being keenly aware of his richly deserved reputation for getting things right. Nevertheless, of the two examples he cites to show how the CPI misrepresents the true cost of living, I consider one shaky and the other demonstrably wrong.

The shaky one first: Sen. Moynihan says I shouldn't worry if the cost of household energy goes up because I can avoid this added cost by buying more insulation. This is true if I don't already have the optimal insulation in place, and if I can find the funds to invest in the insulation, and if I live long enough for my investment to pay off.

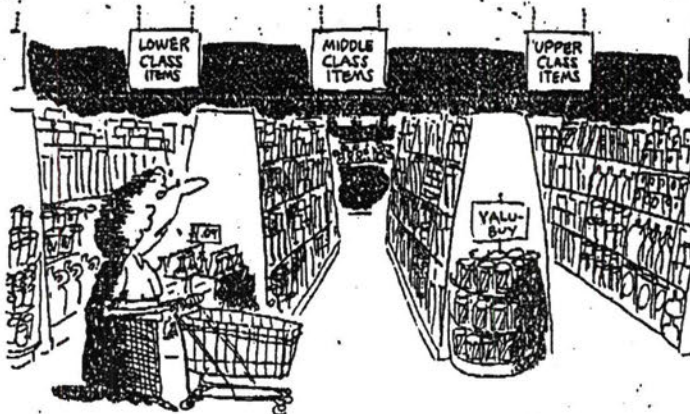
Sen. Moynihan, in his second example, says that an increase in the price of beef should be discounted in calculating my COLA, because I can switch to poultry or fish. But I don't like poultry or fish. I suppose I could avoid an increase in the cost of all animal protein by becoming a vegetarian. But this isn't maintaining my standard of living; it's forcing me to change lifestyles.

Mr. Glassman has no reputation with me, so I'm not surprised that his examples are egregious. Don't worry, he says. If the price of gasoline jumps, cut back on driving. But I need to drive, I want to drive.

If I become a recluse, I could avoid a lot of costs. Is that what he has in mind? According to him, if drug prices go up, I can switch to a generic. But what if my medication is still in the license period and there are no generics? What if my drug that is increasing in price is a generic?

The Boskin Commission may make a good case for reducing COLAs. Neither of these pieces do.

BILL WILCOX
Great Falls



BY STATISTICAL FOR THE TAMPA TRIBUNE

A28 SATURDAY, OCTOBER 7, 1995

The Washington Post

AN INDEPENDENT NEWSPAPER

Housing Choice

HOW POOR must a family be to qualify for federal housing assistance? You can add that to the list of questions the Clinton administration and Congress are struggling to resolve. The issue is larger than it sounds; the government now distributes about \$27 billion a year in housing subsidies. That's \$10 billion more than it spends on welfare and twice what it spends on higher education. Who gets that much money matters.

The housing committees want to broaden access to the programs—open up a larger share of subsidized units to families with somewhat higher incomes than before. The purpose is partly to save money. The higher a family's income, the more it can be expected to pay in rent and the less will be left over to be picked up by the government. The committees also think that if they can change the tenant mix in public housing projects, they may ease the social problems for which the projects have become too famous.

The administration agrees with both objectives but says the committees have gone too far—that in opening up the programs to middle-income people they would crowd out too many of those most in need. That's probably so; in trying to restore balance to the programs, Congress needs to be careful not to unbalance them in the opposite direction.

The basic problem with housing assistance is that there's not enough of it, nor perhaps can there be, given its great cost. The programs now reach only about a fourth of the poor; most other poor renters

end up spending more than half their incomes just for shelter. In the 1980s, when growth of the programs slowed, Congress moved to ration the assistance by ordering local authorities to give available units to their neediest applicants first. That sounded like a better idea than it was. It greatly increased the number and concentration of very poor people in public housing projects particularly. The projects were transformed, and not for the better.

The administration itself suggested in the last Congress that the neediest-first rules be relaxed and that the rules for determining rents be changed as well, to take less of a toll when tenants went to work. No housing bill passed; now the new Congress would ease the rules even more. It has an extra incentive in that it wants to cut the budget, including the operating subsidy now given local authorities to make up the difference between their rents and costs. The lower the subsidy, the greater their need for rent, and the higher the incomes of their tenants, the easier the added rent will be to exact.

The budget cuts, however, are likely to do much more than force up rents. For more than 20 years the housing programs have been steadily expanding; now the number of subsidized units across the country seems more likely to decline. Housing and Urban Development Secretary Henry Cisneros urged the Senate Banking Committee a couple of weeks ago not to forget the "fundamental mission" of these programs as it cuts them back. It's the right admonition.

A Word About Richard Holbrooke

WHEN WE SAY we have a word about Richard Holbrooke to express, we need to add at once that it will not be to second any of the nasty, sly or tear-down terms that have adorned practically all of the commentary and reporting about the State Department official who has been negotiating the Bosnian cease-fire. So if you haven't had your fill of that (we have), you should move on. Mr. Holbrooke has done extraordinarily well at pressing and cajoling the bloody parties in Bosnia toward a settlement that will be worked out somewhere near Washington starting next week, if all goes well and according to plan. Since everyone knows that practically nothing concerning that tragic part of the world has gone well or according to any but the worst plans for a very long time now, the prospect is still very chancy. It is to take nothing away from others who have made a substantial contribution to the progress that has occurred to say that without Mr. Holbrooke's prodigious efforts there wouldn't even be the chancy prospect there now is.

For some reason it has proved impossible for people to utter this sentiment without immediately adding something about Mr. Holbrooke's being swaggery or pushy or self-promoting and on those accounts far from universally beloved. It is sort of like reading about the Congo in the old days, when certain place names could not be uttered without their modifying epithet: Breakaway Katanga Province, Copper-Rich

Kasai. This is, of course, in the great Homeric tradition of the endlessly repeated identifier, as in "Proud" This One and That One "of the Stormy Brow." And so it is in this case, Holbrooke of the (fill in your preferred slur). What we find so interesting about it is that the complaints are really not very distinguishing in the city in which we live and work. We do not mean to take anything away from Mr. Holbrooke when we say: What makes him so special in this regard?

Think about it. In the national and perhaps world capital of swaggery-ness, pushiness and self-promotion, and in a department of government that has been run and staffed by more than a few fellows who would certainly be finalists in any competition on these counts, Mr. Holbrooke has been singled out for special and continuous digs. And he has been singled out not just by some of his fellow minions but also by members of a press corps that should itself probably get honorary mention in any such competition. Hey, guys: It's not as though Dick Holbrooke had offended the sensibilities of a modest, restrained, self-effacing community here. This is Newt Gingrich's town and yours, too. Yes, Mr. Holbrooke is a tough customer. Evidently that's what the diplomacy called for. Always including the Balkan caveat—things could go from bad to terrible at a moment's notice—we think he has done one heck of a job and should be commended for it—period.

THE PRESIDENT HAS SEEN
10-16-95

Went
good to
✓