



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

THE PRESIDENT HAS SEEN
10-16-95

95 OCT 13 P9:08

Kathleen A. McGinty
Chair

October 13, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN MCGINTY

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

SAFE DRINKING WATER ACT

*
Senator Dirk Kempthorne (R-ID) introduced his bill to amend the Safe Drinking Water Act on Thursday. The bill enjoyed broad bipartisan support. We expressed our support and our appreciation for having been included in the process. While we will work to secure further public health protections in a few areas that are still weak, this (like the unfunded mandates bill) is testimony to the progress that can be made when extremism does not seize the agenda. I pushed hard for our support on this bill because I believe it bolsters our credibility when we do find some measures to be extreme -- it makes it clear that we are not simply for the status quo. Reform yes, rollback no.

TIMBER

OK
I received your response to our weekly report today indicating that you wanted to be involved in the decision on whether we should appeal Judge Hogan's adverse decision. I am sorry I was not aware of that earlier. On Tuesday, Secretaries Babbitt and Glickman, the defendants in the lawsuits, reached a joint recommendation that we should appeal. On Wednesday, Leon Panetta chaired a meeting to review that decision. At the conclusion of the meeting, he, too, agreed to the appeal recommendation. The recommendation was sent to Justice where the Solicitor General has now also reached a decision to appeal.

Time is very short on this matter because several Justice, Agriculture and Interior employees face contempt proceedings on 10/14/95 with possible incarceration and heavy monetary penalties. The appeal decision is central to our posture in the contempt proceedings. (As an aside, the contempt proceedings, the innumerable lawsuits, and recent death threats that have all come in the aftermath of the rescissions bill have placed many agencies under significant personal and professional stress.)

On Monday, Department of Agriculture and the Department of Interior are poised to issue a statement that announces our intention to appeal. We will also say, however, that to the maximum extent possible, we want to work with contract holders to modify the sales and release as much timber we can without risking severe environmental damage.

NOBEL PRIZE AWARDED FOR OZONE DEPLETION RESEARCH

The Nobel Prize for Chemistry was awarded this year to two American scientists and one Dutch scientist for their research into the destruction of the ozone layer. In 1974, Dr. Sherry Rowland of the University of California at Irvine and Dr. Mario Molina of the Massachusetts Institute of Technology first hypothesized that chlorofluorocarbons (CFCs) posed a threat to the ozone layer. In the twenty years since their original theory, considerable advances have been made. In 1985, measurements proved the existence of the Antarctic "ozone hole." An international treaty to limit CFCs was reached in the 1987 and strengthened in both 1990 and 1992. CFCs will be phased in all developed nations by the end of this year.

Arguing that the science is still uncertain, Republican Representatives Delay (R-TX), Doolittle (R-CA) and Rohrabacher (R-CA) have been pushing legislation to rollback controls on CFCs. This week's announcement further underscores the misguided nature of their efforts.

ENERGY AND WATER APPROPRIATIONS

The Administration has issued a veto threat over the Energy and Water bill because of an inadequate overall level of funding and certain offensive policy provisions. The three most serious policy provisions are: (1) a directive of particular concern to Nevada that an interim storage facility for high-level nuclear wastes be built at a specific site; (2) an override of environmental laws (sufficiency language) pertaining to the Bonneville Power Administration fish program; and (3) the potential inclusion of environmental override language for the Animas/La Plata water project.

RECONCILIATION

Republican efforts to open the Arctic National Wildlife Refuge (ANWR) to drilling suffered a setback this week when Representative John Kasich (R-OH), Chairman of the House Budget Committee, said that the money to be recovered from ANWR may not be worth the trouble since the state of Alaska may get 90% of the funds (see related discussion).

The supporters of alternative energy gained a victory in the Senate where Finance Committee Chairman William Roth (R-DE) indicated that he would not follow the lead of the House Ways and Means Committee in cutting tax support for ethanol, biomass, wind and conservation. (Separately, Senator Robert Dole (R-KS) and some midwestern House Republicans succeeded in getting Speaker Newt Gingrich (R-GA) to promise to remove the ethanol provision from the House bill.)

ENDANGERED SPECIES ACT

The House Resources Committee marked up the bill, H.R. 2275, authored by Representatives Pombo (R-CA) and Young (R-AK) which revises the Endangered Species Act. The bill was voted out of committee 27-17, mostly along party lines (five Democrats voted for the bill while three Republicans voted against it). A 174 page substitute was introduced immediately prior to mark-up, which failed to fix any of the Administration's significant problems with this legislation. This bill contains an extreme "takings" compensation provision and essentially guts ESA.

There is some sense, based upon speculation about the Speaker's views on wildlife issues, that it may be quite a while before the bill is actually debated on the floor. Meanwhile, two alternative bills have been introduced by moderate Republicans. We will be meeting next week to discuss overall strategy for ESA reauthorization, as well as circulating specific proposals for a reinvented federal consultation process and analysis of possible financial incentives.

SUPERFUND

Senate efforts to reform the 1980 Superfund law have ground to a halt. Senator Dole told Environment and Public Works Superfund Subcommittee Chairman Robert Smith (R-NH) to find a new way to pay for program changes without offering tax credits. The bill was originally crafted by Senator Smith and Senator John Chafee (R-RI) and offers a 50 percent tax credit to companies that quickly clean up Superfund hazardous waste dumps. Senator Smith reacted very angrily to Dole's move exclaiming that he can't believe he "had the rug pulled out from under him" by his own leadership. Speculation is that this is part of the Gram-Dole warfare as Smith is supporting Gram. A hearing on the bill was scheduled for Thursday with plans for mark-up at the end of the month. Both have been postponed as a result of a dispute between Senators Dole, Smith, and Rosh over Superfund taxes in budget reconciliation.

The Finance Committee has proposed to extend three Superfund taxes for an additional seven years. This additional revenue would be used to fund other tax cuts. Senator Smith has stated he favors extending Superfund taxes but the money must be earmarked for cleaning up hazardous waste sites. Senator Smith wrote a letter to Chairman Roth saying he opposes extending Superfund taxes as part of budget reconciliation, unless the bill includes the cleanup tax credit he is promoting.

RECENT POLLS ON ENVIRONMENT

Last week you may have seen a new poll by Times Mirror which included the question "Who has the best ideas for the environment." The answers: 45 percent said you do, 26 percent thought the GOP. We are not aware of a previous Times Mirror version of the same question with which to compare this result.

A statewide Field Poll in California found that 94 percent of all Californians are "extremely" or "somewhat" concerned about air and water pollution, making it the fifth most troubling issue for the state's residents. ✓

GOP MOVEMENT ON THE ENVIRONMENT

There are signs of movement by Republicans on the environment that are causing strains in the party. This movement is due mainly to an increasing understanding that their proposal ~~are seen as a rollback of environmental laws which the public does not support~~. The movement steadily gained strength through the House vote on the Contract with America, to the House Clean Water vote, and finally to the House EPA riders vote. Recent examples include the following:

- o Representative Kasich said yesterday that "There is a growing feeling in the Republican Party that just like we've got to save our financial future for our kids, we've got to save the environment for our kids, too." He was discussing the possibility that ANWR might not survive through to their final reconciliation package.
- o The bipartisan Safe Drinking Water proposal by Senators Kempthorne, Chafee, Reid (D-NV) and Baucus (D-MT) is the first moderate environmental bill we've seen all year.
- o Speaker Gingrich recently appointed Representative Sherwood Boehlert (R-NY), an environmental moderate who led the defectors on clean water and the EPA riders, to head a GOP environmental task force to resolve interparty differences. His spokesman also confirmed rumors that he had "concerns" with the extreme Young/Pombo endangered species bill.

There are two kinds of responses by Republicans to the opposition of the public to environmental rollback. One kind is by those that recognize it is dangerous to support a rollback and are moderating their positions. The other is by those that recognize it is dangerous to be seen supporting a rollback and are trying to conceal anti-environment legislative language in regulatory reform proposals or the budget where it is more easily obscured and harder to veto. Yesterday, Kasich didn't call for increasing EPA's budget beyond the 33 percent House-passed cut.

However, the subject remains a good one for us. For example, Senator Dole continues to be criticized for supporting a "bad meat" regulatory reform bill, and was criticized this week within his party for temporarily scuttling a Smith/Chafee Superfund bill in order to find some way to repeal retroactive liability (Smith said Dole "dropped a bomb"). Since retroactive liability is the provision that maintains the polluter pay principle, he was criticized for blocking a more moderate bill in order to curry favor with a well funded special interest.

OVERSIGHT HEARING

As I mentioned in our report last week, I was scheduled to testify before the Senate Energy and Natural Resources Subcommittee on Oversight and Investigations today. The hearing has been postponed to next Thursday. I expect a fairly searing interrogation particularly on timber issues.

Namita

good job!

Be

THE PRESIDENT HAS SEEN

10-16-95

Politics

Picking up the pieces

The president's new liaison to gays and lesbians tries to patch up a political romance gone sour

By J. Jennings Moss

Shortly after Marsha Scott was appointed White House liaison to the gay and lesbian community, Rep. Barney Frank (D-Mass.) wanted to see just how much authority she had. He had just fielded a complaint from gay and lesbian workers at the Department of Veterans Affairs; normally, he would have tried to resolve

it himself, but this time he decided to call upon the Administration. A couple of weeks later, Frank saw a nondiscrimination policy emerge from the VA's leadership. Test completed. Scott passed. "The way that the culture in Washington works, the fact that the president designated her clearly is a sign to the rest of the bureaucracy that [gay rights] is important," says Frank, one of three openly gay members of Congress.

But senior Administration officials had more in mind than just making it easier for gays and lesbians to interact with their government when

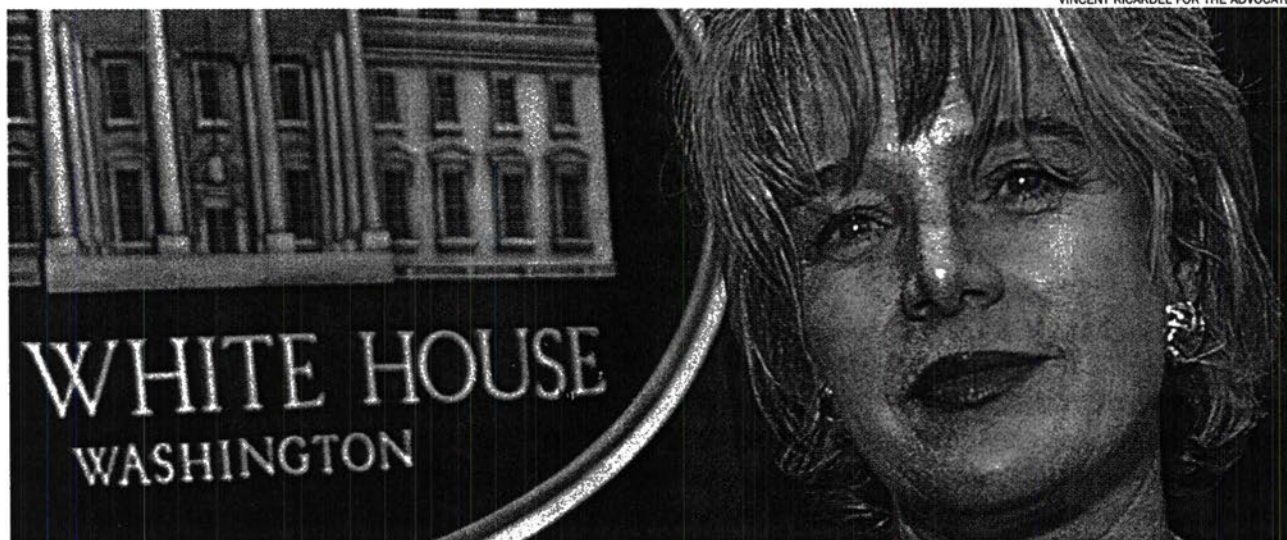
they named Scott to the liaison post in June. They wanted to mend fences with a political constituency that fought hard for President Clinton in 1992 but has since cooled in its enthusiasm for him. So they turned to Scott—a 48-year-old Arkansas native who has known Clinton since she was 19 and who is a veteran of several California political battles—to be their conduit. Clinton may not be speaking

with Clinton's old friends.

Scott, who resembles former White House press secretary Dee Dee Myers and still talks with a drawl despite having moved from Arkansas after high school, is not a lesbian—a fact that caused a bit of grief in some gay political circles. Nonetheless, she says, the job was "something I sought. I wanted to do this." Her first contact with homosexuality, she says, came in junior high school in Little Rock, when the wife of a country club member ran off with the club's female golf pro.

"It caused quite a stir," Scott says, recalling the event. "But I don't re-

VINCENT RICARDEL FOR THE ADVOCATE



out on gay issues, but now at least someone in the White House is.

"I'm proud of what Bill Clinton has done for gays and lesbians," Scott says as she sits in the large square office in the Old Executive Office Building that she shares with another of the Administration's three deputy assistants for political affairs. "I think his heart is absolutely in the right place. The politics are just very difficult right now." Besides focusing on gay and lesbian issues, Scott will also maintain the White House's relations

Go-between

Marsha Scott may not be a lesbian, but she does have the president's ear.

member being told by my parents that there was a stigma." As an adult, Scott adds, she has met and been

friends with many gays and lesbians.

A more important qualification, perhaps, is the access to Clinton afforded Scott by her 29-year friendship with the president. "She's someone who can get in to see him on a moment's notice," says George Stephanopoulos, one of Clinton's closest advisers.

In defending the Administration's record regarding gays and lesbians,

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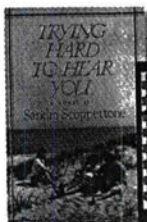
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Scott speaks broadly of a trio of accomplishments. First, as part of what Scott describes as a change in "the overall climate of the politics of government," is Clinton's nomination of more openly gay and lesbian people to senior positions in his administration than any of his predecessors. Second, says Scott, Clinton has changed the federal bureaucracy by encouraging departments to enact nondiscrimination policies and by ending the decades-old practice of denying security clearances to gays and lesbians. Finally, Clinton nominated the federal judiciary's first openly lesbian judge and has filled the court system with judges who, Scott says, are "fair-minded and have good hearts."

But Scott also acknowledges that there have been bad times, chief among them the debacle over Clinton's 1992 promise to lift the ban on gay and lesbian service personnel and the policy that became known as "don't ask, don't tell." Says Scott: "I'm not here to defend that. I don't like that compromise. I don't think it works well. But it was just the reality of the time. We took a good idea, tried to do something right, and we weren't able to do it the way we set out to do it."

Part of the reason the White House experienced a backlash from gays and lesbians over the military issue was the lack of an Administration liaison, Scott believes. If she had had the job then, she says, the outcome likely would have been the same, but she would have tried to give gays and lesbians a better appreciation of what the Administration was up against.

"A lot of gays and lesbians felt let down because they didn't understand the political process itself," she says. "We lost the political battle. I believe that when people are part of the process, when they understand it, they can then accept it when it doesn't go their way."

Another part of Scott's message relies on fear—the danger of what might happen if Clinton does not win a second term in 1996. "I'm very fearful of what would happen if Bill Clinton were not here keeping the door open," she says. "There are forces at work now that are ready to roll back every piece of legislation that has benefited those who are

THE Advocate POLL (900) 773-POLL

The Advocate Poll gives you the opportunity to let us and other readers know how you feel about important issues that affect gays and lesbians. Our current question for you is:

Should a straight person be the president's liaison to gays and lesbians?

#1 Yes

#2 No

#3 The appointee's sexual orientation should not matter

Call (900) 773-7655 on or before **October 30** to cast your vote. The results of this survey will appear in the November 28 issue of *The Advocate*, on sale November 14. And be sure to look for a new Advocate Poll question in every issue of *The Advocate*.

Callers are charged 99 cents a minute for this service. The average call length for this service is one minute. The Advocate Poll ©1995 by Liberation Publications Inc.

most at risk in this country."

Since her appointment Scott has taken her message on the road. She's spoken to gay and lesbian law enforcement officials at a convention in Palm Springs, Calif.; read a message from Clinton at a display of the NAMES Project AIDS Memorial Quilt in Los Angeles; and listened to a delegation of gay and lesbian teenagers.

Still, it's clear that Scott has more work to do. Asked which of his 1992 promises on gay rights and AIDS Clinton will revisit in 1996, Scott said she did not know what the promises were and asked *The Advocate* for a list of them. "I've never seen it spelled out," she says, "but I have an idea we've done most of it."

It's also evident that Scott's passionate talk about gay issues can go only so far. Scott rails against the existence of state sodomy laws but says, when asked why Clinton does not make repeal of such laws a national priority, that "those are states' issues, not Administration issues."

Responding to the question of why Clinton does not talk about gay rights more often, she says that he "tries to always address issues that affect the country as a whole." Clinton, she adds, "is in charge of the whole country, and I know he believes that by lifting up the whole, it brings along gays and lesbians, it creates a better place for them. I don't think that on any level he's thinking that he's consciously excluding them." ●

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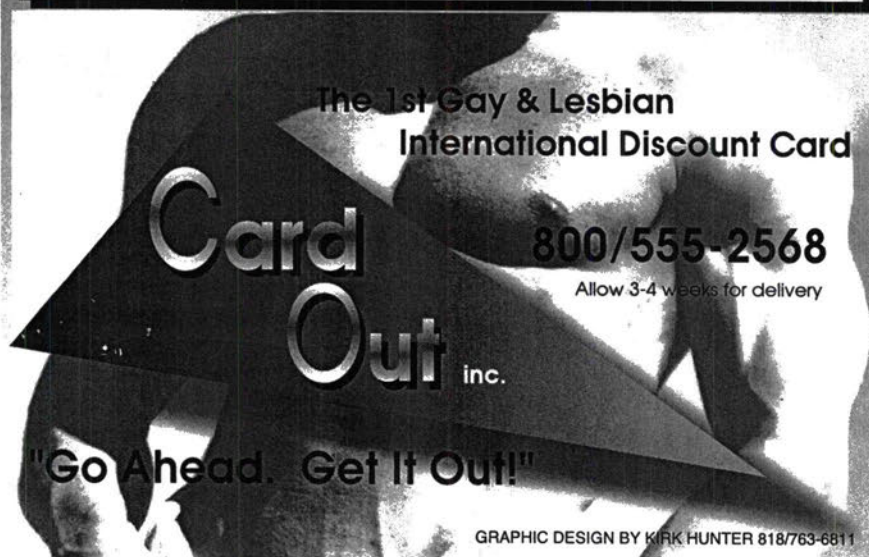
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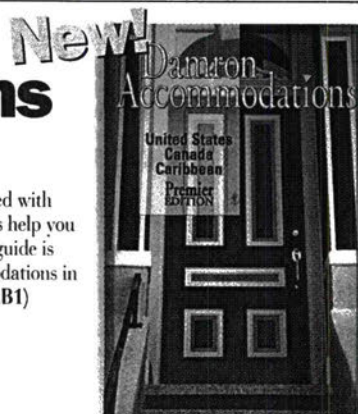
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Mexican government officials have indicated that they understand the political realities facing Clinton on the issue. He "is trying to work around the extreme positions) that we have seen in Congress and other places," Mexican Ambassador Jesus Silva-Herzog said in an interview Monday.

Yet Zedillo is in a difficult situation both because of his weak political position at home and his reliance on the bigger neighbor, which has helped keep the Mexican financial system afloat through the travails that threatened the peso last winter.

(Optional add end)

Zedillo also needs to present a forceful face on the immigration issue, particularly at the joint news conference that will follow the top-level meetings. For domestic consumption, Zedillo is expected to stress at that conference his country's concerns for the civil rights of Mexicans in this country.

In private meetings with U.S. experts on immigration, Mexican officials have signaled that they know their administration does not have the kind of political strength that would allow it to inaugurate any dramatic new program of emigration control, even if they wished to do so.

But, even if no breakthrough decisions are forthcoming in the meeting, "this is one area where there will be an intensive exchange," said Nora Lustig, a specialist on Latin American economic issues in Washington.

China Flouts Trade Agreement as Pirating Flourishes By Maggie Farley and James Gerstenzang= (c) 1995, Los Angeles Times=

HONG KONG. Six months after China agreed to U.S. demands that it clamp down on pirated trademarks, copyrights and patents, China's production of illegal compact discs has actually doubled and six of the seven major counterfeit CD factories shut down at the time by authorities have reopened, top U.S. officials say.

China's early failure to abide by the agreement is yet another threat to the troubled U.S.-China trade relationship, and prompted a warning Monday from U.S. Trade Representative Mickey Kantor that the Clinton administration "will take very strong action" if China is not adhering to the pact by the end of the year.

The assessment of China's track record since the agreement narrowly averted a U.S.-China trade war last March was made here by Assistant U.S. Trade Representative Lee Sands, who was en route to Beijing for further talks on intellectual property rights and other market-opening measures agreed to in earlier negotiations.

Sands, who led the U.S. negotiating team that forged the trade agreement, said production of both music and software compact discs has doubled over the past six months and could double again in a year.

The increase comes despite a "special enforcement period" in China punctuated by dramatic raids on rogue retailers, a landmark court judgment against a counterfeiter, and the creation of strike forces in 18 cities.

Despite the apparent flouting of the agreement, Kantor defended the pact and said in Washington that the United States would tolerate non-compliance for only so long before pressuring China to enforce it.

"The agreement is a very tough, detailed, comprehensive agreement," Kantor said. He said there had been "inconsistencies" in its enforcement, with some jurisdictions ignoring it allowing piracy to increase

and other areas cracking down on the illegal behavior.

"Much depends on the provincial politicians and whether they're holding to Beijing's dictates," Kantor said.

With Sands on his second trip to China since the agreement was completed, Kantor said, "We are making it clear to China that enforcement of the agreement is critical."

"We are not going to stand by and not take action and not enforce our trade laws if they don't adhere to the terms of the pact," he said, using the sort of barely veiled threats that suggest a willingness to eventually impose trade sanctions.

Sands was careful to give credit to Beijing, which a year ago would scarcely acknowledge that piracy was a problem, for beefing up anti-infringement legislation and cracking down on vendors. Authorities have announced 3,117 actions against peddlers and distributors since the accord. But he said China was failing to attack the heart of the system well-connected manufacturers.

"I have no doubt that the biggest problem is the 'guanxi' (political relationships) of the owners of factories," Sands said. "These factories obviously are solidly entrenched and have powerful supporters ... the question is whether the Chinese have the political will to shut them down."

(Begin optional trim)

David Buxbaum, an attorney who helps U.S. manufacturers protect their copyrights in China, praised Beijing's "action plan," but said that China doesn't have the organization or trained specialists to live up to it.

"It could be an excellent device for (enforcement), but it doesn't work," he said. The legal system lacks trained judges and prosecutors, the fines for offenders are "unmeaningful," and enforcement agents are often loathe to crack down in their own territories, he said.

(End optional trim)

Intellectual property rights are key to U.S. trade relations with China, where counterfeiters are known to copy everything from Kellogg's Corn Flakes to compact discs. U.S. companies like Procter & Gamble face as much competition from ersatz versions of their own products as they do from other companies' legitimate brands. Bootleg videos of "Waterworld" and "Apollo 13" made the films big hits in Hong Kong before they ever hit the theaters.

"There are entire villages in China devoted to making bootleg products," says Buxbaum. "How can the policemen who live in the village close down the industry that the whole place depends on for its livelihood? They're very protective of local interests."

(Begin optional trim)

It's the lucrative business of bootleg software, however, that boasts protection from the highest levels, and causes the U.S. government the greatest concern. Nearly 95 percent of computer software used in China including by government offices is illegally copied, leading to roughly \$351 million in lost software sales last year, say U.S. industry representatives in the Business Software Alliance. And Chinese fakes are being exported across Europe and Southeast Asia.

(End optional trim)

The battle to halt piracy is bound to intensify as the U.S. trade deficit with China grows. The trade gap is likely to be nearly \$40 billion by year end, and could reach \$50 billion in 1996, overtaking Japan's position within a few years if current trends continue, says Sands.

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10-16-95

Letter
Can we do anything
about this
JP

Anti-smoking researcher draws fire from Congress, tobacco industry

By Doug Levy
USA TODAY

To the tobacco industry, he's a man who can make "laws fall" when he walks into a legislature and testifies. To anti-smokers, he's a trailblazer who leads scientists and policy-makers toward anti-smoking action.

He is Stanton A. Glantz, professor of medicine in the cardiology division of the University of California, San Francisco. He is both a widely published scientist and an outspoken tobacco industry opponent.

Now, smokers are fighting back.

Language written into legislation that would fund the National Cancer Institute for the next year aims to cut off Glantz's federal funding. Smokers' rights activists are cheering, while scientists worry that Congress is meddling in decisions they say are best left to experts. The bill has already passed the House. Senate action is due this month.

At issue is the final year of a \$200,000 annual grant to study what the tobacco industry has done to fight anti-smoking efforts.

"It's not biomedical research," which is what NCI funds are for, says Rep. John Porter, R-Ill., leading the effort to eliminate Glantz's grant.

Glantz — and the NCI — disagree.

"The tobacco industry is the disease vector for heart disease and cancer. To control any disease, you need to understand how it is spread," says Glantz, 49. "The difference between the tobacco industry and malaria is that mosquitoes don't make campaign contributions and hire public relations firms."

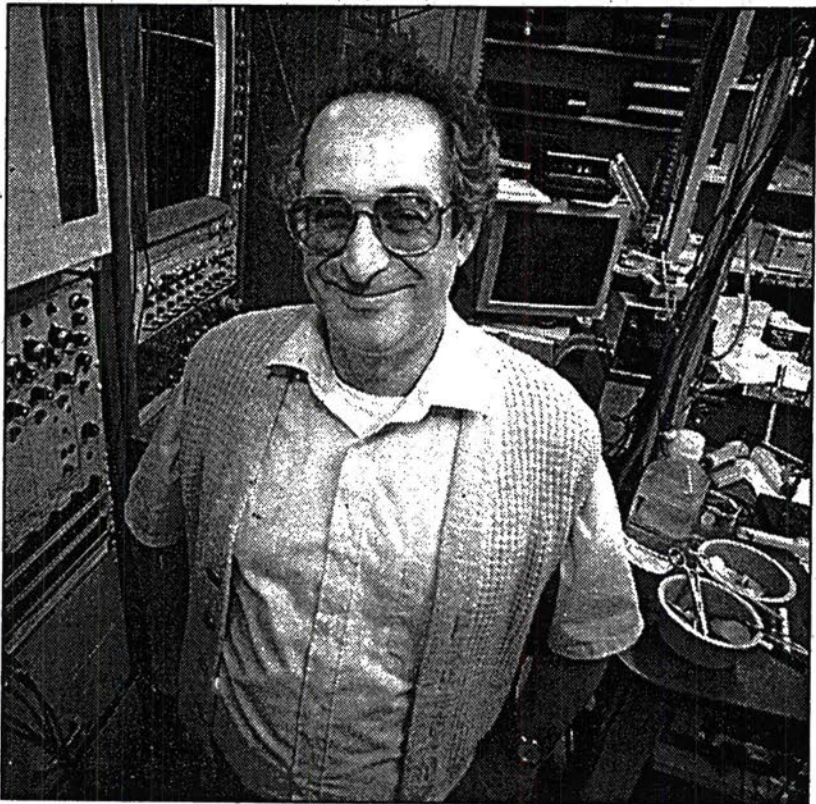
Smokers' rights activist Stephen Handman, head of a group that has targeted Glantz in newspaper ads and fliers mailed to lawmakers, calls Glantz "the most successful anti-smoking advocate in the country. He exaggerates. He goes to extremes."

Handman's group, the 130/10 Club, claims that Glantz's \$600,000 project seeks to "expose the names of contributors to state legislators." But this information is available free to the public, making Glantz's grant wasteful spending, the ads say.

Not true, says Dr. Marc Manley, the cancer institute official who oversees the research. "There's been a great deal of misinformation out there about (Glantz) and this grant."

Glantz says studying how tobacco industry campaign contributions, public relations programs and other activities influence state policy-makers helps guide public health officials fighting smoking-related diseases.

"Part of the way the tobacco in-



By Kurt Rogers, 'San Francisco Examiner'
STANTON A. GLANTZ: Funding for his research into what the tobacco industry has done to fight anti-smoking efforts is in congressional limbo.

The Glantz file

► **Occupation:** Professor, University of California, San Francisco, Division of Cardiology.

► **Education:** Degrees in aerospace engineering, applied mechanics and engineering-economic systems; post-doctoral research in cardiology. (Dissertation: *A Mathematical Approach to Cardiac Muscle Physiology*.)

► **His view:** "My job is to completely and honestly assess the evidence."

► **Critics' view:** "(He) isn't held to any objective standard of credibility. Anti-smokers think he's Mother Teresa." — Tom Lauria, the Tobacco Institute.

dustry spreads disease is by infecting the political process," he says.

And Scott Ballin, chairman of the Coalition on Smoking OR Health, believes the tobacco industry's political muscle is behind the anti-Glantz campaign. The industry has plenty of reason to dislike Glantz:

► Thousands of pages from Brown & Williamson Tobacco Corp. appeared in Glantz's office in May 1995

from an anonymous source. The documents contain evidence some tobacco executives considered nicotine addictive and cigarettes dangerous three decades ago. Now they're available on the Internet.

► As a lead witness at last year's hearings on a proposed federal ban on workplace smoking, Glantz set the stage for months of contentious debate between tobacco company lawyers and public health experts.

► Scores of his studies on the dangers of smoking and on tobacco politics have appeared in publications such as the *Journal of the American Medical Association* and the *American Journal of Public Health*.

"This is not some humble little university professor," says Tom Lauria of the Tobacco Institute. "He has never faced an election, yet has an enormous sway over public policy. He walks in, they call him 'Dr. Glantz' and laws (supported by the tobacco industry) fall."

But Dr. George Lundberg, editor of the *Journal of the American Medical Association*, calls Glantz "perhaps the premier cancer prevention researcher of this decade. He has managed to crisscross sociologic research with biology and has rooted out extraordinary information fundamental to health policy decision-making."

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Don/Enslin/CG
we need to make
a fight of this.

BC

16-16-95

House Committee Begins Work on GOP Medicare Reform Bill=(c) 1995, Los Angeles Times=

WASHINGTON The House Ways and Means Committee, slowed by partisan wrangling, began work Monday on marking up the 400-page bill proposed by the House Republican leadership to overhaul Medicare.

Democrats alternated their denunciations of the bill with intricate questions about its details.

An angry Rep. Sam Gibbons, D-Fla., the ranking Democratic member of the committee, denounced the legislation as a "scam" and was rebuked repeatedly by the chairman, Rep. Bill Archer, R-Texas. "I have no apology for being intemperate if I'm protecting the interests of 40 million people," Gibbons said.

Consideration of the bill was delayed for an hour at the start of Monday's session while Gibbons insisted on an official reading of the legislation, a formality normally waived.

The intensity of the debate reflected the deep philosophical divisions as the Republican majority prepares to approve the most drastic changes in Medicare since the creation of the program 30 years ago. They hope to make some of the proposed \$270 billion in savings by encouraging millions of Medicare beneficiaries to go into health maintenance organizations and other forms of managed care.

The bulk of the savings, at least \$145 billion, according to a Congressional Budget Office analysis released Monday, would come from restraints in payments to doctors, hospitals, home health agencies and other providers.

Archer offered a substitute version of the bill Monday, including some key changes from the original version, notably a "lockbox" provision saying that none of the Medicare savings can be used to help pay for the tax relief promised by the GOP.

GOP leaders hope to complete work on the Medicare legislation by Wednesday. It is being prepared by two committees, Ways and Means, and the House Commerce Committee.

The Senate Finance Committee has completed work on its version of the legislation.

Outcome of EPA Debate to Have Far-Reaching Effects By James Gerstenzang= (c) 1995, Los Angeles Times=

PHILADELPHIA The Schuylkill Expressway cuts through the oil tank farms of southwest Philadelphia, where commuters are greeted by a radio station billboard commanding them to "wake up and smell the karma."

But whatever karma smells like, there is something else in the air: the acrid odors wafting out of the Sun Co. oil refinery.

And that has made the streets of Philadelphia, like those of dozens of other communities across the country, a key battleground between advocates of vigorous enforcement of environmental laws and critics who contend that the federal government is tying up industry with too many regulations.

At issue are tough new restrictions designed to protect neighborhoods surrounding petroleum refineries from the harmful effects of such toxic substances as benzene, methyl ethyl ketone, hexane, toluene and hydrogen chloride. The House has passed legislation prohibiting the Environmental Protection Agency from enforcing the rules, which it issued in July. The Senate has moved in the same direction, raising the prospect of a clash between Congress and President Clinton when legislation funding the EPA reaches the White House.

The stakes in the debate include multimillion-dollar investments, the economic viability of smaller refineries and the jobs they supply and, possibly, the health of local residents.

Yet an even broader question is at play in Washington. It involves a fundamental disagreement over whether the executive branch or Congress will assume the dominant role in setting domestic policy. It is perhaps the central issue in the often-angry relationship between the president and the Republican majority that is controlling the agenda on Capitol Hill.

Thus, the debate over the environmental regulations is a piece "of a much larger picture that ranges across the policy domain," in the view of Thomas E. Mann, director of governmental studies at the Brookings Institution, a non-partisan think tank in Washington.

"This is as clear and dramatic and unambiguous a shift in policy views on the Hill as we've ever seen in our lifetime," Mann said. "They're going after this with every weapon at their disposal."

It is a shift that troubles many residents of refinery neighborhoods.

"Take it from a registered Republican, I'm not happy," said Gloria Inverso, who lives 1 1/2 miles from the Sun Co. refinery in south Philadelphia, referring to the GOP-engineered regulatory rollback. "With what they're doing, the only steps we've taken forward, they're taking backward. If these senators and congressmen were made to live in this neighborhood with their families, I don't think they'd like it."

When the EPA got into the business of trying to clean up the nation's air, one of the first industries that drew its attention was petroleum. Although significant progress has been made in reducing emissions of smog-causing pollutants, oil refineries across the country still exhale a mix of pollutants nine toxic tons an hour, day in and day out, the government says.

The provision restricting enforcement of the new emission limits is one of 17 attached to the EPA funding legislation in the House, where anti-regulatory sentiment runs high. The others, each intended to put new reins on the enforcement of environmental regulations, would limit wetlands protection, water-quality standards in the Great Lakes, standards on toxic emissions from kilns used in the manufacturing of cement, and standards for the amount of arsenic permitted in tap water.

In addition, the House funding bill would cut the agency's spending next year by roughly 23 percent. The Senate version of the legislation would reduce the EPA budget by 33 percent but does not contain the 17 regulatory rollbacks. House and Senate negotiators are expected to begin working out their differences as early as this week. The funding cuts and the anti-regulatory riders have drawn the threat of a presidential veto.

The attempt to undo government regulations by attaching restrictions to the spending bill is "special-interest politics at its worst," said Paul Billings, assistant director for government relations of the American Lung Association.

Refiners say they are still not certain what rules are needed.

"When an agency asks an industry to spend \$100 million a year, we want to make sure we will reduce risks," said a senior official at the National Petroleum Refiners Association, adding that the EPA rules are based on old data and do not provide that assurance.

The official, who spoke on the condition that her name not be used, argued that refinery emissions are expected to cause no more than three new cancer cases throughout the U.S. population in any given year. "This is an extremely low cancer risk," she said.

The EPA estimates that the regulations would eliminate 60 percent of the toxic substances the petroleum industry releases into the air annually, and would help level the industrial playing field.

The petroleum industry is getting a special break. Petroleum has a history of seeking exemptions. They tend to be an industry that tries to evade the requirements," according to an agency official who spoke on condition of anonymity.

Sun Co. maintains that it already has upgraded

environmental controls at its 1,440-acre plant, the largest refinery in the East, and that less than \$10 million would be required to bring it into compliance with the new regulations. Thus, it says, the outcome of the debate would have only a minimal impact on the refinery.

"We have made some significant improvements in emissions controls and continue to do so," said spokesman Lawrence Davis. "We're going to comply with whatever is required. This refinery is not a battleground for this issue. ... It would be misleading to set it up as that."

(Optional add end)

The new restrictions cover large and small refineries in such diverse locations as southern Texas and North Dakota 177 refineries in 34 states.

In Philadelphia's city's southwestern reaches, the industrial jungle of cracking towers, pipes, collecting pools and furnaces now owned by Sun Co. has been refining crude oil for more than 100 years. During World War I, it supplied more than half of the aviation fuel used by the allied air forces. Now, it can handle as much as 307,000 barrels of crude oil a day.

Across the Delaware River, at Eagle Point in New Jersey, Coastal Corp. operates a much smaller facility, producing a comparatively modest 130,000 barrels of gasoline, diesel fuel and jet fuel daily. Coastal has already closed some refineries, citing the cost of bringing them into compliance with environmental standards.

If Congress does not succeed in forcing the EPA to roll back enforcement of its regulations, "it would cost us millions of dollars to comply," said Brian Mitchell, a spokesman at Coastal's corporate headquarters in Houston.

Such arguments as well as Sun's \$120-million project to enclose a waste-water collecting system that was exposed to the air and ground at another refinery on the Delaware border have done little to calm residents here.

Their concerns, if anything, have been heightened in recent months, in part by preliminary findings of a half-million-dollar study undertaken by Johns Hopkins University and the EPA to assess the impact of refinery emissions on the health of nearby residents.

An interim draft states that "a preliminary evaluation of mortality data for the years 1978-82 revealed increased mortality in the study area for all causes, (including) cancer and pneumonia/influenza, when compared to rates for the city, state, and U.S."

Nunn Joins Ranks of Senate Democrats Slated to Retire By Janet Hook = (c) 1995, Los Angeles Times=

WASHINGTON Dealing a heavy blow to his party's efforts to regain power on Capitol Hill, Sen. Sam Nunn, D-Ga., announced Monday he will end a legislative career that has spanned a quarter century of change in the Democratic party, in the South and in the Senate as an institution.

Nunn, a leading voice for conservative Democrats and his party's premiere spokesman on defense issues, joins a stampede of Democrats mostly moderates and southerners who are leaving Congress next year. More than half the Democrats up for re-election in 1996 have announced plans to retire, many of them from seats that will be hard for their party to hold onto.

Nunn's retirement marks the passing of an era, as he prepares to leave a political world far different from the one that first sent him to the Senate in 1972, when the South reliably elected Democrats, when Congress was less partisan, when the seniority system rewarded men like Nunn who moved cautiously to secure their power base and legislative niche.

But the 57-year-old senator portrayed his decision to retire as a personal one, not as a product of disillusionment with the changed political world. "I know in my heart it is time to follow a new course," Nunn said during a news conference in Atlanta. "Today I look forward to more freedom, to more flexibility, more time with my family."

Nunn did not discuss his specific plans for life after the Senate, but said he hoped to remain active in public policy. He did not rule out a future run for political office.

Nunn told reporters he does not want to stay in the Senate "until called back by the grim voter or the Grim Reaper. I wanted to make sure I don't stay beyond the time that I can approach every day with the zest and enthusiasm that's required to do the job."

Indeed, while Nunn remains one of the most respected members of the Senate, some analysts say he may have passed the peak of his influence within the Senate and the Democratic Party. The defense issues that are his stock in trade have faded in importance since the end of the Cold War. While Nunn was frequently rumored to be a candidate for top Cabinet posts and even for president, he never pursued those paths to greater prominence.

Although Nunn was not always in sync with the Clinton administration he opposed the effort to lift the ban on gays in the military, for example the president responded to Nunn's announcement with praise. Clinton cited Nunn's efforts "to move beyond established political rhetoric to new policies that reward responsibility and work to strengthen families and communities."

After months of private agonizing about his future, Nunn had been expected to announce his decision to retire last Tuesday, the same day that the O.J. Simpson verdict was announced. But with the personal encouragement of Clinton, Nunn postponed his news conference rather than compete for attention in the post-verdict media onslaught.

(Begin optional trim)

His retirement brings the number of Senate Democratic retirements to eight more than half the 15 Democrats who would have been up for re-election in 1996. The Democratic retirees include only two traditional liberals, Claiborne Pell of Rhode Island and Paul Simon of Illinois. The others are all southerners or moderates: Bill Bradley of New Jersey, Jim Exon of Nebraska, Howell Heflin of Alabama, J. Bennett Johnston of Louisiana, and David Pryor of Arkansas.

Like many of the other retiring Senate Democrats, Nunn leaves a seat that was considered safe for the Democrats only because he held it. Many analysts predict Nunn's seat will go the way of so many other seats in the Georgia delegation, which has seen a dramatic shift in favor of the GOP in recent years.

(End optional trim)

When Nunn came to the Senate in 1973, more than two-thirds of the members of Congress from the South were Democrats; now, there are 77 Republicans and 70 Democrats from the region.

Nunn's focus on defense matters has its roots, in part, in political and family tradition. Nunn's great uncle, Carl Vinson, was a longtime chairman of the House Armed Services Committee. Nunn won the Senate seat once held by Richard Russell, who had been chairman of the Senate Armed Services Committee. In 1987, Nunn became Armed Services chairman himself.

Nunn rarely took the lead on non-defense issues. But he took a big step in trying to steer his party as a whole away from its liberal roots in 1985 when he helped found the Democratic Leadership Council to provide a home for moderate-to-conservative Democrats. Nunn's retirement is a big blow to that wing of the party.

THE PRESIDENT HAS SEEN
10-16-95

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Congress Considers Park Plan

Key Decisions Loom For Children's Island

By Marianne Kyriakos
Washington Post Staff Writer

Many Washingtonians have never heard of Kingman and Heritage islands in the Anacostia River. Only a few have seen or set foot on them.

That all could change.

Small but definite steps are underway that could lead to construction of a \$120 million amusement park on the islands. That would be the city's third largest economic development proposal, after the downtown sports arena and convention center, according to Kwasi Holman, executive vice president of the D.C. Chamber of Commerce.

The fate of the man-made islands has been debated for more than 20 years. The narrow 46 acres north of Robert F. Kennedy Memorial Stadium were dredged by the U.S. Army Corps of Engineers in 1916 from swampy river muck, where malaria-carrying mosquitoes were laying eggs. Mostly, the National Park Service property sat abandoned, except for occasional visits by curious children or illegal dumpers.

In the early 1970s, an amusement park called National Children's Island was proposed by developers and District officials. Proponents said it would bring in sales tax dollars for the city and create jobs.

There was little action on the issue for years. Then a new political era arrived.

The Republican-led Congress has encouraged the transfer of federal lands to local governments or private interests, and soon may give the project the go-ahead it has always needed: formal transfer of the islands from the Park Service to the District.

A bill transferring the property was approved by the House Resources Committee in mid-September. The full House is likely to vote on the measure before Congress ad-

See ISLAND, Page 2, Col. 1

ISLAND, From Page 1

journals for the holidays, according to Donna Brazile, chief of staff for Del. Eleanor Holmes Norton (D-D.C.).

Norton said she introduced the bill on behalf of the D.C. Council, but has not taken a position on it.

"This is a project that I introduced as a matter of home rule," Norton said. "I have not . . . looked into the project. If a matter is passed by the [D.C.] Council, I say to my colleagues, 'You cannot stop the project.' All I know is it went through the city council. It's not a matter that I have studied."

Although the plans are still vague and there is no definite financing, the park has the enthusiastic support of many in the city, including most D.C. Council members.

Charlene Drew Jarvis (D-Ward 4), chairman of the council's Committee on Economic Development, said: "I think the proposal adds another destination, not only for our own residents, but for tourists. It adds to our desire for economic growth."

Along with an economic boost, said the chamber's Holman, "It would continue a trend to put our nation's capital on the map as an entertainment center. And as a parent of young children, I think it's an excellent opportunity for cultural enrichment."

A nonprofit development company, National Children's Island Inc., holds a lease to the islands. The lease was signed two years ago, when the city received legal jurisdiction over the islands. Groundbreaking for the park could occur a year after Senate approval, which could come as early as January, said Lawrence P. Goodwin, vice president of Island Development Corp., a separate, for-profit company established to secure financing and oversee construction and operations.

Proponents say part of the income from the amusement park would be used for educational and recreational programs in the city, but they provide few details. Goodwin said, for instance, that District fifth-graders would be able to take a free field trip to the park and that one-third of the land will be devoted to a free playground.

The \$120 million design would be built using private funds. And, developers say, the city stands to gain as many as 2,400 jobs and \$9 million a year in tax revenue. By contrast, the Walt Disney Co. history theme park once proposed for Northern Virginia was projected to cost \$650 million, produce 3,000 jobs and generate \$12 million a year in tax revenue.

Environmentalists and neighborhood activists are stepping up efforts to block the project.

Developers expect the park to draw an estimated 3.3 million visitors annually. But opponents say the neighborhood is already burdened with traffic and air pollution.

On Sept. 20, a dozen environmental and community groups presented the D.C. Council with an alternative plan for limited development of the islands, with a small cafe and towers to view wildlife. They have said they will fight to make the site "more like Theodore Roosevelt Island than Kings Dominion," said Sierra Club leader Jim Dougherty.

Dick Wolf, city planning chairman

for the Capital Hill Restoration Society, said: "The [park] goes against the city's comprehensive plan. The plan specifically speaks against it. Our mayor and city council enacted that law. Why don't they pay attention to this? Because the law is like a tissue paper, they blow their nose on it and throw it away."

The neighborhood doesn't need more parkland, Goodwin said. "If you look over just across here to Anacostia Park, we have miles of parkland, from the National Arboretum all the way down to Bolling [Air Force Base] that's not used."

D.C. Council member Harold Brazile (D-Ward 6) is the lone council member opposed to the plan. The Northeast Washington community "is an area that's sort of overloaded with big projects," including a Potomac Electric Power Co. generating plant and the stadium, he said. "We don't want any more."

Still, he expects the House to pass the measure. "When you offer revenue to a cash-starved government, that's pretty sexy stuff, pretty mouthwatering."

Developers expect financing to be arranged by Contessa Bina Sella di Monteluca, 46, daughter of a prominent Indian philanthropist and entrepreneur. "I've had some very serious discussions with three investors, whom she declined to identify," Monteluca said in a telephone interview from her home in London.

Monteluca is president of Island Development Corp., and so far the only investor in the project. "I've put in millions, and I'd rather not give the exact figures," she said. "But I've been at this for 12 years. This is a passion."

For Monteluca, the project has appeal as a commercial project with a philanthropic aspect. "Believe me, there are much easier ways of making money," she said.

She said she never envisioned a Kings Dominion-style theme park at the site.

"There won't be any iron rides—no Ferris wheels, no roller coasters," Goodwin said. "We refer to it . . . more like a World's Fair or the National Zoo in terms of ambience and density."

One industry specialist said the idea could be a big tourism draw.

"I think the park is an admirable idea," said Dennis Spiegel, president of International Theme Park Services Inc. of Cincinnati, a management consulting company.

Spiegel, who developed Kings Dominion theme park in 1972 for Cincinnati-based Taft Broadcasting Co., said developers' plans would include "more of the hands-on, participatory, get-the-guest-involved elements. And that is really the way the business is heading right now."

"In my opinion, Washington could use a little counterbalance to all its historical, educational aspects, something f-u-n," Spiegel said.

THE PRESIDENT HAS SEEN
16-16-95

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THE PRESIDENT HAS SEEN
10-16-95

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GLB Incorporated
George L. Bristol, President



THE PRESIDENT HAS SEEN
10-10-95

October 5, 1995

The Honorable William J. Clinton
President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

At the risk of beating a dead horse, I would like to ask you to consider paying tribute to President Lyndon Johnson during your trip to the University of Texas. I realize from conversations in the past with several members of the Johnson family and friends, that there appears to be a problem. I don't know where the problem arose, nor do I need to know. But, the truth is that on two issues that you have been fighting the hardest on, and you are right to do so, Lyndon Johnson faced the same total opposition of the Republicans. I speak of education and medicare.

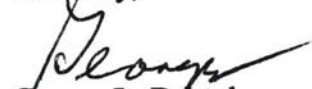
These landmark pieces of legislation have made the difference for the young and the elderly for the past 30 years. President Johnson fought the good fight to pass them and then honored the commitment by defending them during his presidency and as a private citizen.

It would be most appropriate on the campus of the University of Texas where the LBJ Library and School of Public Affairs is located to honor not only the memory of a Democratic President who had to face down the Republicans time after time, but also honor the presence of Lady Bird Johnson. And in a real sense, it's she who you would truly honor. Lady Bird Johnson in her own quiet way has heightened the awareness of our need to revere the environment. As a member of the National Park Foundation and a long-time friend of hers, I know that she fought to protect the parks. Indeed, she fought to expand them and the great wilderness areas.

I will close by saying that what I am requesting will probably do little for you politically. There are not many real Lyndon Johnson era supporters left, but it will give much-needed recognition to a President who tried to right a number of longstanding ills and had the courage to stand up to the forces who wished to protect the status quo. Lyndon Johnson is worthy of recognition, particularly in these two areas, from a young President who cares with the same degree of compassion and commitment.

I look forward to seeing you on the 16th and 17th of October.

Sincerely,



George L. Bristol

GLB/lm

THE PRESIDENT HAS SEEN

10/15/95

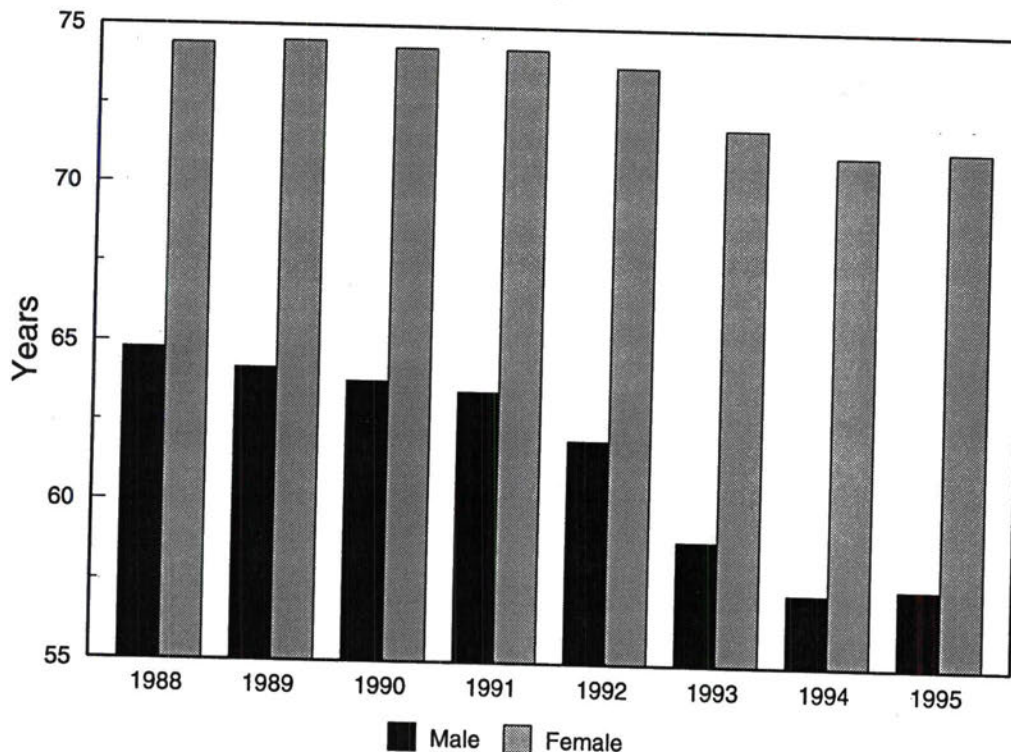
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

October 13, 1995

CHART OF THE WEEK

Life Expectancy in Russia



Life expectancy at birth for Russian men plummeted following the collapse of the Soviet Union, falling to just over 57 years by 1994, which was the male life expectancy in the United States in 1936. For Russian women the decline has been less dramatic, with life expectancy of a little over 71 years by 1994. Although the downward trend in life expectancy began during the late 1980s, the disruption of Russia's health care system after the breakup of the Soviet Union may have accelerated this trend. A rise in cardiovascular disease and violent deaths (accidents, murders, and suicides) are the main factors behind the fall in life expectancy.

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*"We're still a Baby Bell, but now
we're a really big Baby Bell."*

CURRENT DEVELOPMENT

Default Today, Pay Forever

If Congress does not raise the \$4.9 trillion debt limit, Treasury will not be able to roll over maturing debt securities and the United States could default on a portion of its debt.

Effect on interest rates. The United States has never defaulted, so estimating the effects is difficult. In cases where local governments have defaulted, there has been a spike in interest rates paid on that government's debt. When the local government has reorganized so that investors become more confident that they will be repaid, interest rates have declined to a level below the temporary spike but above the pre-default level. Analysts estimate that Orange County will pay between 25 and 75 basis points more in interest because of its recent default.

What is the possible cost? The penalty that the U.S. Government would have to pay likely would be less than that paid by a defaulting local government. For instance, Orange County investors doubted that they would ever be fully repaid. A delay in interest payments by the U.S. Government would not raise these same concerns. Nevertheless, given the size of U.S. debt, even a small interest rate increase could add up. For example, a 10 basis point increase on newly issued debt would cost the government about \$42 billion in extra interest payments over 10 years.

Higher interest rates on U.S. debt also would increase costs for some homeowners with adjustable-rate mortgages. Of the approximately \$800 billion of adjustable-rate mortgages outstanding, roughly half have interest rates tied to rates on Treasury securities. These mortgage rates would rise if Treasury rates were to increase.

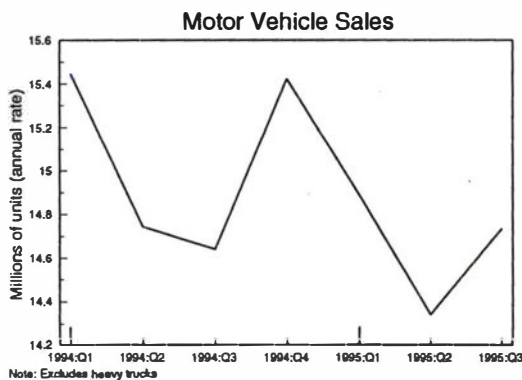
A default might also have adverse effects on other financial markets. In particular, foreign investor reaction to a default could increase volatility in currency markets in the short run.

MACROECONOMIC UPDATE

Economy Growing Moderately

The economy probably grew moderately in the third quarter at about a 1.5-2.0 percent annual rate—an increase compared with the second quarter, but well below the exceptional pace of 1994. (Since the Administration does not issue quarterly forecasts, our estimate of growth does not represent an “official” forecast.) Motor vehicle sales, housing starts, and spending on consumer goods all picked up in the third quarter, but the economy is still working off an excess of inventories. The unemployment rate, now at 5.6 percent, has been little changed since the beginning of the year. Core consumer price inflation remains stable at about 3 percent.

Data are not yet available on the fourth quarter, but GDP growth likely will be in the moderate range. Motor vehicle production schedules show that automakers plan no step-up in production over the quarter. Business investment spending has been strong so far this year, but orders for future delivery of capital goods fell in the third quarter and suggest that investment may slow in the near term. Export growth, which slowed in the first quarter as a result of the weak economic performance of our trading partners (especially Mexico), is likely to improve by the fourth quarter as these economies regain strength. But exports in the fourth quarter could be hurt by a prolonged strike at Boeing (whose exports total almost a billion dollars per month).



Inventories remain high. Sales of motor vehicles increased in the third quarter to 14.8 million units at an annual rate (see chart). The pickup in sales, together with a cut in production allowed the automakers to slim down their inventories during the second and third quarters. Even so, inventories remain somewhat higher than the industry's desired level.

Inventories in non-auto sectors also appear to be above desired levels, with producers and merchants cutting back on investment in inventories during July and August.

Housing is a bright spot. Housing starts, which had fallen sharply in the first half of the year, rebounded in the third quarter in response to the earlier decline in mortgage rates. The inventory of unsold new homes—which had restrained construction—has returned to normal levels, clearing the way for a pickup in housing construction over the rest of the year.

TREND

Midwest Economy: Continuing to Diversify

The Midwest—which for the upcoming Midwest Regional Economic Conference includes Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, West Virginia, and Wisconsin—recovered fairly rapidly from the 1990-91 recession, with the upturn in employment coming several months earlier than for the overall United States (see chart). Although employment growth in the Midwest since then



has mirrored that across the country, it recently has leveled off and is projected to grow more slowly than the national average in the future, reflecting expected losses of manufacturing jobs due primarily to modernization of plant and equipment.

Currently, however, the labor market in the Midwest region is tight, with unemployment in many states approaching 20-year lows. The unemployment rate in August for each

of the Midwest states—except for Illinois and West Virginia (which consistently posts higher rates)—was below the national average of 5.6 percent. Some states, including Iowa, Minnesota, and Wisconsin, had unemployment rates of about 3 percent.

Important factors influencing the future health of the regional economy include:

- Education. An educated and well-trained workforce is a key factor that will influence the Midwest's ability to continue to diversify away from traditional manufacturing and agricultural industries into high-tech and financial service industries. While the proportion of high school graduates in the Midwest is about the same as the national average, the proportion of college graduates is much lower. Given the increasing importance of higher education for jobs in emerging high-tech industries, efforts to encourage more Midwesterners to attend college could bolster future prospects for the region.
- Manufacturing. Manufacturing still is a mainstay of the Midwest economy, employing 20 percent of all workers, with the auto sector accounting for about two-thirds of automobile production in the United States. Following the downturn in the early 1990s, growth in manufacturing employment played an important role in the recovery in the Midwest, outpacing that in the United States overall. Although manufacturing employment is projected to decline in the future, this

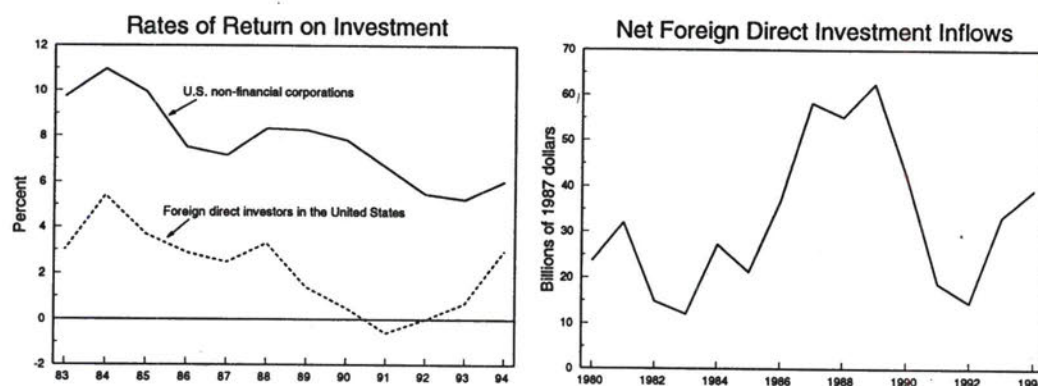
decline reflects rapid gains in productivity, which represent the fruits of ongoing technological advances in manufacturing.

- Agriculture. Although the Midwest as a whole depends much less on agriculture than do the Plains states, agriculture continues to be an important sector. Of the 9 Midwest states, Iowa depends the most on agricultural employment, with around 25 percent of its workforce in farm or farm-related jobs (compared with a Midwest average of 17 percent). The number of farming-dependent counties in the region has declined significantly, as the trend toward consolidation and the disappearance of the family farm continues. The agricultural sector has largely recovered from its 1980s doldrums, and farm exports are projected to set a record next year.
- Concentration of elderly. Another factor affecting the future health of the Midwest economy is the relatively large concentration of elderly Americans living in that region. Ohio, Indiana, Wisconsin, Iowa, Missouri, and West Virginia all have average or higher-than-average concentrations of elderly. In fact, Iowa has the third highest concentration of elderly in the United States at 15.5 percent, behind only Florida at 18.6 percent and Pennsylvania at 15.8 percent. West Virginia has the fifth highest. Even Illinois, Michigan, and Minnesota are only slightly below the national average of 12.7 percent. Cutbacks in Federal programs affecting the elderly, such as Medicare, could therefore have a disproportionate impact on the region.

SPECIAL ANALYSIS

Why Do Foreign Investors Earn So Little?

The low reported earnings of foreign direct investors in the United States has been a longstanding puzzle (see left chart). How could foreigners, holding U.S. productive assets of over \$500 billion, have had net losses for the 1990-92 period, when U.S. companies earned over 5 percent in each of those years? Are foreigners simply poor investors, or have they distorted their reported earnings to avoid paying American taxes?



Analysis. There appears to be truth in both explanations, although the timing and characteristics of foreign investment provide much of the explanation for the observed low returns. And, while the evidence suggests some tax evasion, the amount of additional revenue the U.S. Treasury could take in through full compliance is much smaller than the gap between rates of return might indicate.

Timing and characteristics. There was a huge increase in foreign direct investment during the late 1980s (see right chart). By 1990, over 60 percent of total foreign holdings in the United States had been acquired or established after 1985. Because the profit rates on newly acquired foreign investments are typically very low, the large inflow in the late 1980s depressed the average return. Similarly, the turnaround in average profitability in 1994 likely reflects both the maturing of these earlier investments and the relatively small inflow of foreign investment in the early 1990s.

The characteristics of foreign investment also account in part for the low rate of return. Over 80 percent of foreign direct investment has come through the purchase of existing firms. In general, foreign investors paid relatively high prices for firms with profit rates well below average, and often subsequently invested heavily in restructuring and upgrading. High purchase prices, post-acquisition expenses, and accounting charges relating to the takeovers all lowered profit rates in the period immediately following acquisition.

Poor investments? Many foreign investments simply do not work out. Heavy foreign investments in U.S. real estate in the mid to late 1980s (e.g., Rockefeller Center) were particularly ill-advised. The precipitous drop in U.S. commercial real estate values during the early 1990s inflicted losses on foreign investors that totaled \$27 billion by 1993.

Tax evasion? A sophisticated multinational firm may be able to shift taxable income among affiliates by allocating expenses in order to minimize overall tax liability. The firm would try to lower its reported profit in high tax jurisdictions, but would also seek to avoid large losses, since such losses could otherwise be used to reduce reported taxable income elsewhere.

Tax evasion cannot be measured directly. However, a company evading taxes will arrange to keep its reported U.S. profit close to zero. And, in practice, reported profits of U.S. affiliates of foreign firms are more tightly clustered and nearer zero than are profits of domestic firms. Profits of foreign firms also tend to return towards zero more rapidly following a profitable year. Furthermore, reported profit rates are lower for firms that have the most to gain from tax evasion, such as firms whose home country does not tax income on a worldwide basis. All of these observations may be evidence of efforts to avoid U.S. taxes.

Conclusion. If foreign investors had earned the same return as domestic investors in 1994 they would have earned \$24 billion more. However, applying the corporate tax rate to this additional income (yielding \$8 billion) greatly overstates the revenues that could be generated by more stringent tax enforcement. For reasons explained above, foreign investors do earn a lower return than on U.S. investment. Furthermore, the Internal Revenue Service has strict rules on debt (and thus debt service) allocation, and monitors transfer pricing, limiting the most common methods of shifting taxable income. Thus, while it is surely possible to increase collections further through more stringent enforcement, the incremental returns may not be very large.

ARTICLE

AT&T's Voluntary Splitup: Benefits and Costs of Integration

In a dramatic move, AT&T recently announced that it would voluntarily split up into three new companies each focusing on different businesses. AT&T believed that the three companies—communication services, equipment manufacturing, and computers—would perform better separately than integrated, and investors agreed, bidding up AT&T's stock price by over 10 percent on the news for an increase of \$9.5 billion in total stock value.

The AT&T splitup raises two broader issues. First, what are the benefits and costs of integration? Understanding these benefits and costs helps explain AT&T's decision to split up today. Second, what difference does regulation make? Understanding how regulation encourages companies to integrate helps explain: (1) why AT&T resisted the earlier 1984 court-ordered breakup; (2) why the regulated local Bell companies are clamoring to enter the unregulated long-distance telephone market; and (3) why the Administration opposes provisions in the pending telecommunications bills that would allow such Bell entry prematurely.

Benefits of integration. At first blush, an integrated firm seemingly should always outperform separate firms. With selective intervention, the firm's CEO could let divisions operate mostly autonomously and intervene only in instances where it would increase the firm's overall profit. The CEO might order a division to sell to another at cost, help resolve disputes, and prod divisions to cooperate in offering seamless service to customers.

Costs of integration: incentives suffer. But intervention often cannot be confined to cases where it increases overall firm profit. A chronically weak division asks for "temporary" help claiming recovery is just around the corner; another asks for cheap financing for a questionable project which outside investors simply "don't appreciate." Unfortunately, such cross-subsidies reduce incentives: penalties for failure are attenuated, as are rewards for success. This incentive problem can plague both conglomerate firms (whose divisions are in unrelated businesses—see box on next page) and vertically integrated firms (where the product of one division is used as an input into another division).

Added concerns in vertical integration: Tensions in customer-rival relations. But vertically integrated firms can experience an additional problem: one division's competitors are another division's customers. Bell companies and foreign telephone companies reportedly have been reluctant to buy AT&T equipment, believing that AT&T's equipment unit would favor its own telephone unit over rivals.

AT&T's splitup should help the new equipment company compete for orders. The new telephone services company also should become a stronger competitor, because once other telephone companies are no longer its equipment customers, AT&T can take the gloves off. AT&T can thus be more aggressive in competing for customers in local service (where allowed), and in bargaining over access fees to local networks (to complete long-distance calls). In short, AT&T's splitup is likely to be good for it and, by increasing competition, good for consumers.

Regulation creates bias towards integration. Why then did AT&T in the early 1980s resist the Justice Department's ultimately successful effort to vertically separate local-telephone companies (the Bells) from the long-distance and equipment company (what is now AT&T)? Before the breakup, regulation played a major role. AT&T could use its affiliates in the less regulated markets for equipment and long-distance service to evade price regulation of its local-service monopoly. It allegedly paid inflated prices to its equipment subsidiary, which were passed on to local telephone rate-payers as higher "costs." And it allegedly discriminated against long-distance competitors like MCI by providing them with poorer-quality connections, in order to steer traffic towards its own long-distance business. In general, a firm that is regulated in one market has strong incentives to vertically integrate into other, less regulated markets so as to circumvent regulation, harming both rivals and consumers.

Dangers from Bell re-integration. Policing such misbehavior by AT&T through its affiliates in less-regulated markets proved difficult, and drove the Justice Department to seek AT&T's breakup and to keep the regulated local-service monopolies (the Bells) out of the potentially competitive markets for equipment and long-distance service. Today, the long-distance market is fairly competitive. But the Bells retain monopoly over local service, and their prices for local calls and for access to long-distance calls remain regulated. Permitting the Bells to re-integrate into long distance without real competition in their local markets thus raises the specter of abuses similar to those that prompted the 1984 breakup. For this reason, the Administration opposes provisions in the pending telecommunications bill that would allow the Bells into long distance while they retain monopoly over local service.

Conglomerate Mergers and Splitups

Many conglomerate mergers in the 1960s were touted as bringing "synergies." But synergies did not materialize. In fact, performance suffered as firms became less focused and as divisions' incentives weakened. The corporate takeover wave of the 1980s in large part served to undo these conglomerates: corporate raiders subsequently spun off divisions to other companies in the divisions' industry or as independent entities. Thus refocused, the new entities became more efficient. The last two years have again witnessed many splitups that significantly increased value to shareholders.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Criminal Supervision Reaches Astonishing Levels. The Sentencing Project last week released a study documenting the large and increasing number of persons in prison or on probation or parole. Of particular note is the study's estimate that over 30 percent of African American males between the ages of 20-29 (amounting to 787,692 men) were under criminal justice supervision on any given day in 1994, compared to 25 percent 5 years ago. Racial differences are striking: "only" 7 percent of white men and 14 percent of Hispanic men of similar age were under criminal supervision. Criminal supervision has also risen among women, with African American women experiencing the greatest rise in proportion of the population under criminal supervision of any demographic group. The study estimates that drug-related offenses are the largest contributor to the rise in criminal populations, with the number of incarcerated drug offenders rising by 510 percent between 1983 and 1993.

Companies and the Contingent Worker. A recent survey by The Conference Board (a business group) shows that the contingent workforce has been growing in recent years. While 75 percent of companies surveyed reported that contingent workers comprised 5 percent or less of their workforce 5 years ago, 58 percent predicted a continuing rise in their use of contingent workers. The most common forms of contingent labor used by the companies were workers supplied by staffing companies (90 percent) and independent contractors (85 percent). All but two of the 106 companies surveyed believe the advantages of using contingent employment outweigh the disadvantages, with many citing the need for flexibility in the face of changes in demand. Among the disadvantages cited were lack of skills and training, poor work quality, poor attitudes, and a lack of commitment to the organization. (See Weekly Briefing, September 22, 1995, for further discussion of contingent workers.)

U.S. Economist Nabs This Year's Nobel. This week Robert Lucas became the latest University of Chicago faculty member to win the Nobel Prize in Economics. Lucas was cited for his work on macroeconomics and his insight into the difficulties of using economic policy to control the economy. Lucas is best known for his efforts to renew interest among economists in the importance of expectations about the future for understanding economic behavior. Although many of the assumptions underlying his macroeconomic models have been seriously questioned, economists today routinely incorporate his insights about the role of expectations into many of their analyses.

Lucas
Can you get rid of the problem of economic policy and influence expectations?

RELEASES THIS WEEK

Consumer Price Index

****Embargoed until 8:30 a.m., Friday, October 13, 1995****

The consumer price index increased 0.1 percent in September. Excluding food and energy, consumer prices rose 0.2 percent.

Retail Sales

****Embargoed until 8:30 a.m., Friday, October 13, 1995****

Advance estimates show that retail sales increased 0.3 percent in September following a revised 0.5 percent increase in August. Excluding sales in the automotive group, retail sales increased 0.7 percent.

Producer Price Index

The producer price index for all finished goods increased 0.3 percent in September. Excluding food and energy, producer prices increased 0.2 percent.

MAJOR RELEASES NEXT WEEK

Industrial Production and Capacity Utilization (Tuesday)
U.S. International Trade in Goods and Services (Wednesday)
Housing Starts (Thursday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1994	1994:4	1995:1	1995:2
Percent growth (annual rate)					
Real GDP:					
Fixed weights	2.5	4.1	5.1	2.7	1.3
Chain weights	2.7	3.7	4.0	1.7	0.7
GDP implicit price deflator:					
Fixed weights	5.5	2.3	1.3	2.2	1.6
Chain weights*	5.4	2.7	2.5	2.8	2.2
Productivity, nonfarm business (NFB):					
Fixed weights	1.2	1.8	4.3	2.5	4.8
Chain weights	1.4	0.9	1.4	0.2	2.9
Real compensation per hour (NFB):					
Using CPI	0.6	0.6	1.5	1.0	0.1
Using NFB deflator:					
Fixed weights*	1.1	1.1	2.9	2.9	2.1
Chain weights*	1.2	0.7	2.2	1.8	1.4

* CEA estimates.

Shares of Real GDP (percent)

Business fixed investment	11.0	12.6	13.0	13.6	13.9
Residential investment	4.7	4.3	4.3	4.2	4.0
Exports	8.0	12.3	12.8	12.9	13.1
Imports	9.2	14.4	14.8	15.1	15.4

Shares of Nominal GDP (percent)

Personal saving	4.9	3.0	3.4	3.8	2.9
Federal surplus	-2.8	-2.4	-2.3	-2.1	-1.8

			July 1995	Aug. 1995	Sept. 1995
Unemployment Rate	6.7**	6.1**	5.7	5.6	5.6

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

Payroll employment (thousands)

increase per month			28	262	121
increase since Jan. 1993					7481

Inflation (percent per period)

CPI	5.8	2.7	0.2	0.1	0.1
PPI-Finished goods	5.0	1.7	0.0	-0.1	0.3

New or revised data in **boldface**.

CPI data **embargoed until 8:30 a.m., Friday, October 13, 1995.**

Why on Oct 13 won't we see the results of the chain weights on the NFB?

FINANCIAL STATISTICS

	1993	1994	Aug. 1995	Sept. 1995	October 12, 1995
Dow-Jones Industrial Average	3522	3794	4639	4747	4765
Interest Rates					
3-month T-bill	3.00	4.25	5.40	5.28	5.30
10-year T-bond	5.87	7.09	6.49	6.20	6.07
Mortgage rate, 30-year fixed	7.33	8.36	7.84	7.61	7.50
Prime rate	6.00	7.15	8.75	8.75	8.75

INTERNATIONAL STATISTICS

Exchange Rates	Current level October 12, 1995	Percent Change from Week ago	Year ago
Deutschemark-Dollar	1.422	-0.4	-7.8
Yen-Dollar	100.3	0.0	+0.3
Multilateral \$ (Mar. 1973=100)	84.28	-0.0	-4.1

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	3.3 (Q2)	5.6 (Sept)	2.5 (Sept)
Canada	2.5 (Q2)	9.6 (Aug)	2.4 (Aug)
Japan	0.6 (Q2)	3.2 (Jul)	0.1 (Jul)
France	2.8 (Q2)	12.2 (Jul)	1.9 (Aug)
Germany	2.1 (Q2)	6.6 (Aug)	2.0 (Aug)
Italy	2.8 (Q2)	12.0 (Jul)	5.8 (Aug)
United Kingdom	2.8 (Q2)	8.7 (Aug)	3.6 (Aug)

U.S. CPI data embargoed until 8:30 a.m., Friday, October 13, 1995.

10/15/95
Through Stephen
Goodin. JRA

TO: David Shipley, Fax 202.456.5709; ph) 202.456.7289
FROM: Paula Stout → 202.456.2239

David,

As per Liz's request--and a midnight run to the LBJ Library--I am faxing you a copy of President Johnson's remarks in December of 1972--just a few weeks before he died.

Looking at the phrases, I am struck at how much our language has changed. Really amazing; this language of race.

If you need anything else, please call me on my cell phone) 512.461.0623 or call Liz at 512.327.4242. If the President would like to speak to her, I know she would love to say something to him since she will not get a chance to see him before the speech.

I met Naomi last week while she was in Austin. She had a fantastic crowd at UT--exactly what the students needed to hear.

Have a great flight...

Paula

REMARKS

THE HONORABLE LYNDON B. JOHNSON

Mr. Middleton, esteemed Former Chief Justice and Mrs. Warren, and all you wonderful people who have come here to try to make life better for your fellow men.

I sat in an adjoining room and watched the Panel this morning and got great satisfaction and compensation, in my own way, in feeling that all is not lost, all has not been in vain. All we have to do is reorganize, reevaluate. We can't overcome all the injustices or make this a perfect world overnight. But we are on our way, and we are going to do just that before it's over.

I don't speak very often or very long. My doctor admonished me not to speak at all this morning, but I'm going to because I have some things I want to say to you. I have a touch of sentimentality about me which has cost me a great deal in my 40 years in public life. I say to all you women—Mrs. Rostow and Barbara Jordan, Yvonne Burke, Mrs. Krim, and so many of you that I can't list you all—that it's natural for me to get a certain amount of glory by seeing the advances you are making. And I guess it's just human for us to admire and be fond of the other sex. But when I listened to Burke Marshall and Henry Gonzalez, Clarence Mitchell and Julian Bond—whom I don't know so well but admire a great deal—I said to myself that I love these men more than a man ought to love another man. And that's my way of saying to you what great honor you do me by your presence and participation in these proceedings.

Of all the records that are housed in this Library—31,000,000 papers covering a 40-year period of public life—it is the record of this work that we've been discussing the last two days which has brought us here that holds the most of myself within it and holds for me the most intimate meanings. In our system of government, honorable men honestly differ in their perceptions of government and what it's really all about. And today I can speak only of my own perception. I'm so proud I live in a government where I can do that.

I believe that the essence of good concern for the welfare and dignity of life for every individual wish I didn't have to add these words—regardless of color, creed, and any further, I want to interject that Young is here. Her husband gave it with some of his colleagues advanced a decade. He is somewhere doing his fellow man.

I do not want to say that I've all of the special plight of the black man in the course of my life and experience let me make it plain that when I say times in this statement, I also mean "red" and all other people who share their color or their heritage. Ever problems, of course, but the problem all.

On the second floor of this designed especially for this occasion Emancipation Proclamation by Abraham Lincoln ordered that the bondage. A decade ago, in the year anniversary of the signing of that of that fateful year, I was called up Gettysburg Cemetery where, a speech spoken which all of us have long said this:

Until justice is blind to color, until opportunity is unconcerned, emancipation will be a proclamation that the proclamation of emancipation extent we shall have fallen short of.

When I spoke those words as that the future would present and the responsibility to contribute of emancipation. Even if I could

REMARKS

not sure now that I could have believed at that time that the progress which has been won in these past ten years would be a fact. Black Americans are voting now where they were not voting at all ten years ago.

But let me say, quickly, that not enough are voting. Little more than half of all eligible Americans voted in the last national election. I don't know how many of those who didn't vote were black. But I do know this. We have to come up with some kind of plan or incentive to perfect our democracy by seeing that more of our people do vote. And I certainly mean to include more of all our black people. I don't know how to do it, and I don't want to get to it from the hip with compulsory voting. But we require our young men by law to register for the draft. We require all of our children to go to school. We require people to have a social security number under great loss of privilege. I have no doubt that this would be a better country and a purer democracy if 95 percent of our people voted, and the five percent that didn't had an exemption because of illness or whatever it might be. This would be a better land.

Black Americans are working now where they were not working ten years ago. Black Americans, brown Americans—Americans of every color and every condition—are eating now, shopping now, going to the bathroom now, riding now, spending nights now, obtaining credit now, giving now, attending classes now, going and coming in dignity where and as they were never able to do in years before.

I walked out of this room yesterday and looked at the sea of faces and thought how proud Thurgood Marshall must be. I first met him when he came here, on behalf of Heman Sweatt, so a black boy could come to The University of Texas. And to look at this audience and this beautiful University auditorium and see the groups who are participating today must make him feel and must make the groups who supported him feel that all has not been in vain.

Now that I have said that, I want to say this. I didn't want this Symposium to spend two days talking about what we have done. The progress has been much too small; we haven't done nearly enough. I'm kind of ashamed of myself that I had six years and couldn't do more than I did. I'm sure all of you feel the same way about it.

THE

I often tell the story that was the Women's Lib Movement—made a little ahead of our women over there and said that they were shocked and consumed during the war, the room it would have indicated a certain distance from with some satisfaction and a temper rise, and he was reported so little have I done, so much have

So let no one delude himself, by neglect, by complacency of human rights are completed with storms that would rage on children's children. Yesterday's problem was a Southern problem; the black problem is an urban city. But as I see it, the black and yesterday, is not a problem of neighborhoods. It is a problem of this whole Nation. Moreover, in fact, the black problem remains a simple problem of being black, a problem which our efforts have

To be black, I believe, to be proud, is to be worthy, is to stand; white society is not to stand; races may stand side by side, and blacks stand in history's history before we overcome it will it ever be, an easy goal for

Individuals and groups who tag for themselves do not struggle or their achievement or opportunities. But that is not is no surrender, there is no loss gain is secure in this society gains are opened up to all alike

Where we have been closed groups, now we must become

ABLE LYNDON B. JOHNSON

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atched the Panel this morning ensation, in my own way, in : been in vain. All we have to overcome all the injustices or But we are on our way, and over.

ong. My doctor admonished but I'm going to because I o you. I have a touch of st me a great deal in my 40 women—Mrs. Rostow and Krim, and so many of you ural for me to get a certain es you are making. And I e and be fond of the other shall and Henry Gonzalez, hom I don't know so well self that I love these men r man. And that's my way u do me by your presence

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THE HONORABLE LYNDON B. JOHNSON

I believe that the essence of government lies with unceasing concern for the welfare and dignity and decency and innate integrity of life for every individual. I don't like to say this and wish I didn't have to add these words to make it clear, but I will—regardless of color, creed, ancestry, sex, or age. Before I go any further, I want to interject that I'm so happy Mrs. Whitney Young is here. Her husband gave me great inspiration and along with some of his colleagues advanced this Nation centuries in a decade. He is somewhere doing his good work today in behalf of his fellow man.

I do not want to say that I've always seen this matter, in terms of the special plight of the black man, as clearly as I came to see it in the course of my life and experience and responsibility. Now, let me make it plain that when I say "black," as I do a good many times in this statement, I also mean "brown" and "yellow" and "red" and all other people who suffer discrimination because of their color or their heritage. Every group meets its own special problems, of course, but the problem of equal justice applies to us all.

On the second floor of this Library, in a special exhibit designed especially for this occasion, you will see the original Emancipation Proclamation by which our great President Abraham Lincoln ordered that the slaves should be freed of their bondage. A decade ago, in the year 1963, we observed the 100th anniversary of the signing of that Proclamation. On Memorial Day of that fateful year, I was called upon as Vice President to speak at Gettysburg Cemetery where, a century before, words had been spoken which all of us have long remembered. On that occasion, I said this:

Until justice is blind to color, until education is unaware of race, until opportunity is unconcerned with the color of men's skins, emancipation will be a proclamation but not a fact. To the extent that the proclamation of emancipation is not fulfilled in fact, to that extent we shall have fallen short of assuring freedom to the free.

When I spoke those words as Vice President, I could not know that the future would present me shortly with the opportunity and the responsibility to contribute more toward fulfilling the fact of emancipation. Even if I could have known what lay ahead, I'm

THE HONORABLE LYNDON B. JOHNSON

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I often tell the story that was reported about Churchill when
the Women's Lib Movement—maybe the Prohibition Movement, a
little ahead of our women over here—went to him after the war
and said that they were shocked to hear that if all the alcohol he
consumed during the war, the brandy that he had drunk, were
emptied in the room it would come up to about here. And they
indicated a certain distance from the floor. Churchill looked on
with some satisfaction and amusement, instead of letting his
temper rise, and he was reported to have replied, "My dear ladies,
so little have I done, so much have I yet to do."

So let no one delude himself that his work is done. By uncon-
cern, by neglect, by complacent beliefs that our labors in the fields
of human rights are completed, we of today can seed our future
with storms that would rage over the lives of our children and our
children's children. Yesterday it was commonly said that the black
problem was a Southern problem. Today it is commonly said that
the black problem is an urban problem, a problem of the inner-
city. But as I see it, the black problem today, as it was yesterday
and yesteryear, is not a problem of regions or states or cities or
neighborhoods. It is a problem, a concern and responsibility of
this whole Nation. Moreover, and we cannot obscure this blunt
fact, the black problem remains what it has always been, the
simple problem of being black in a white society. That is the
problem which our efforts have not yet addressed.

To be black, I believe, to one who is black or brown, is to be
proud, is to be worthy, is to be honorable. But to be black in a
white society is not to stand on level and equal ground. While the
races may stand side by side, whites stand on history's mountain
and blacks stand in history's hollow. We must overcome unequal
history before we overcome unequal opportunity. That is not, nor
will it ever be, an easy goal for us to achieve.

Individuals and groups who have struggled long to gain advan-
tages for themselves do not readily yield the gains of their
struggles or their achievements so that others may have advantages
or opportunities. But that is just the point, now and always. There
is no surrender, there is no loss involved. No advantage is safe, no
gain is secure in this society unless those advantages and those
gains are opened up to all alike.

Where we have been concerned in the past for groups as
groups, now we must become more concerned with individuals as

REMARKS

individuals. As we have lifted from groups the burdens of unequal law and custom, the next thrust of our efforts must be to lift from individuals those burdens of unequal history.

Not a white American in all this land would fail to be outraged if an opposing team tried to insert a twelfth man in the line-up to stop a black fullback on the football field. Yet off the field, away from the stadium, outside the reach of the television cameras and the watching eyes of millions of their fellow men, every black American in this land, man or woman, plays out life running against the twelfth man of a history he did not make and a fate he did not choose.

In this challenge, our churches, our schools, our unions, our professions, our trades, our military, our private employers, and our government have a great duty from which they cannot turn. It is the duty of sustaining the momentum of this society's effort to equalize the history of some of our people so that we may open opportunity equally for all of our people.

Some may respond to these suggestions with exclamations of shock and dismay. Such proposals, they will say, ask that special consideration be given to black Americans rather than giving equal consideration to all Americans. I can only hear such protest through ears attuned by a lifetime of listening to the language of evasion.

All that I hear now I have heard before for 40 long years, in many forms and many forums. Give them the vote? I saw a murder almost committed because I said that in '37. Most people said, unthinkable! Give them the right to sit wherever they wish on the bus? Impossible! Give them the privilege of staying at the same hotel, using the same restroom, eating at the same counter, joining the same club, attending the same classroom? Never! Never!

Well, this cry of "never" I've heard since I was a little boy, all my life. And what we commemorate on this great day is some of the work which has helped in some of the areas to make never now. And I do not speak falsely. Most of that never would have been done without men like Burke Marshall, Roy Wilkins, Whitney Young, Chief Justice Warren, Vernon Jordan, Julian Bond and all who are here today. It just never would have been done.

THE H

This is precisely the work which is the whole important part of this meeting. So little have we time to leave aside the legalisms and evasions. It's time we get down to black and white on level ground.

For myself, I believe it's time out to face up to the challenge. What we've done and what we're set new goals, new objectives, and we can do to try to keep things make things better.

Now how much are we giving? How much are we going to give in the employment that time? Who is going to select that leadership going to do?

Specifically, I believe we must make an effort to many, many fields. I do not think we can contribute in the way of leadership thought with those of you who have served as my staff. I want to suggest the things to be put on your agenda.

1. Are the federal government, the foundations, the churches, the unions, and all that they should to assure blacks in every field?

The answer is no, very little. Heman Sweatt can come. Henry Gonzalez said on the Pan American for him to sit at the council. He doesn't have fifty cents to buy a ticket. And that's why they're not here. Or father doesn't want them here. They just don't have the ambition to be here. They just don't have the ground some.

2. Are our professions such as engineering, dentistry, architecture,

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This is precisely the work which we must continue. This is the whole important part of this meeting. Not what we have done, what we can do. So little have we done. So much we must do. It's time to leave aside the legalisms and euphemisms and eloquent evasions. It's time we get down to the business of trying to stand black and white on level ground.

For myself, I believe it's time for all of us in government and out to face up to the challenge. We must review and reevaluate what we've done and what we're doing. In specific areas we must set new goals, new objectives, and new standards. Not merely what we can do to try to keep things quiet, but what we must do to make things better.

Now how much are we giving for that in this meeting? How much are we going to give in the days ahead? How are we going to employ that time? Who is going to bring our groups together? Who is going to select that leadership? And what is that leadership going to do?

Specifically, I believe we must direct our thought and our effort to many, many fields. I don't have a great staff, and little I can contribute in the way of leadership. But if I can leave the thought with those of you who do make up a great staff and who served as my staff, I want to suggest a few thoughts. Just some of the things to be put on your agenda:

1. Are the federal government and the state governments, the foundations, the churches, the universities, doing what they can and all that they should to assure enough scholarships for young blacks in every field?

The answer is no, very little. And it gets back to the same thing. Herman Sweatt can come to this University now, but as Henry Gonzalez said on the Panel this morning, what good does it do for him to sit at the counter and order a hamburger if he doesn't have fifty cents to buy it? And most of them just don't have it. And that's why they're not here. It's not that their mother or father doesn't want them here. It's not that they don't have an ambition to be here. They just can't do it. And we've got to level out that ground some.

2. Are our professions such as law, medicine, accounting, engineering, dentistry, architecture taking the initiative, sounding

REMARKS

the call to make certain that their educational programs are so planned and so conducted that blacks are being prepared for the leadership courses and are given the support that they must have if they are to complete the courses and to have genuine opportunities to establish themselves in positions of leadership, professional careers, and things of that matter after their college days?

3. Are our trade unions and all those concerned with vocational occupations doing the same to open up apprenticeships and training programs, so that the blacks and the groups I spoke of have a fair chance at entering and a fair chance of succeeding in these fields that are so vital to the future of our Nation and our country at this very moment?

4. Are our employers, who have already made a start toward opening jobs to the blacks, doing what they can and should in order to make certain that blacks qualify for advancement on the promotion ladder, and that the promotion ladder itself reaches out for the blacks as it does for the others in our society?

We cannot take care of the goals to which we've committed ourselves simply by adopting a black star system. It is good and it is heartening, it is satisfying to see individual blacks succeeding as stars in the fields of politics, athletics, entertainment, and other activities where they have high visibility, like the members of Clarence Mitchell's family. I felt almost as good as in my own election—not quite as good—when Barbara and Yvonne were elected this year, because I thought we were moving forward. But we must not allow the visibility of a few to diminish the efforts to satisfy our real responsibility to the still unseen millions who are faced with that basic problem of being black in a white society.

Our objective must be to assure that all Americans play by the same rules. And that all Americans play against the same odds. Who among us would claim that that's true today? I feel this is the first work of any society which aspires to greatness. So let's be on with it.

We know there's injustice. We know there's intolerance. We know there's discrimination and hate and suspicion. And we know there's division among us. But there is a larger truth. We have proved that great progress is possible. We know how much still remains to be done. And if our efforts continue and if our will is



President Johnson makes his closi

Photo by Frank Wolfe, LBJ Library.

REMARKS

strong and if our hearts are right and if courage remains our constant companion, then, my fellow Americans, I am confident we shall overcome.

These remarks of the President's were to have closed the Symposium, but as the President left the podium the Reverend A. Kendall Smith of New York City asked for and received the President's permission to read a telegram. The telegram read as follows:

This Symposium is interesting and the opportunity to honor you and to recall the great strides of the 1960's is worthy and justifiable. However, the hour is late, the needs of the black nation overdue and urgent. Racism under the Administration of Richard Nixon has increased. This gathering of great Americans must not leave Austin without an organized, on-going structure dedicated to reconvening and to combatting injustice in America, as was done by your Administration. Black people still honor your record and commitment to civil rights.

To adjourn today makes this Symposium no more than an empty ritual honoring one man, while the soul and conscience of America must be healed of the cancer of racism. For this Symposium not to expand and deal with a new definition of equality is to refuse the sun of a new day, and prevents a rendezvous with the future.

We demand the extension of today's agenda.

Respectfully, the Reverend A. Kendall Smith, Council of Churches, City of New York, Task Force on Racism; Roy Innis, National Chairman, Congress of Racial Equality.

President Johnson, in response to this unscheduled event, moved again to the podium and made the impromptu remarks that follow.

President Lyndon B. Johnson:

I want to repeat a brief statement I made to others last evening. I did not think that it would concern all those who attended here.

I have served with many Presidents, and I think I have a viewpoint that no other person in this room has about the Presidency. Out in my little town, Court Week is very exciting. All the boys leave town to avoid the Grand Jury and all the citizens go

THE H

to Court to hear the proceeding. I came up to the hotel one morning and said, "Would you give a poor man a quarter?" And the judge said, "Hell, no; get that tramp anything."

The poor fellow with the hair just as he got to the end of the podium. If you'd like to have a quarter for you." And he handed the old fellow up at him startled, but with great respect. "Judge, you've been there, haven't you?"

When Mr. Innis asked that would be disruption,* I told the judge I was free to speak his piece as he had planned it that way. You can't have a disruption: I've faced that.

A great many people were couldn't come. No one really knew how to make this and how we tried to find out of interest whether I agree with him or not. I should speak. And when the Reverend came to deliver a prayer, I agreed to the plans of our own. The great thing is you are uninhibited by chains of suppression most of the time. And people the freedom that we respect. That. And that explains what we have done it.

It's mighty easy for any group of you have and as long as a sense of injustice that is so common to overlook some other things. I remember Hoover's day and I felt it then, day from sunup to sundown. I came down from Pennsylvania Avenue and I was troubled me to see the man on

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THE HONORABLE LYNDON B. JOHNSON

to Court to hear the proceedings. The town drunk, hungover, came up to the hotel one morning as the old judge was leaving and said, "Would you give a poor man a dime for a cup of coffee?" And the judge said, "Hell, no; get out of the way. I wouldn't give a tramp anything."

The poor fellow with the hangover walked off dejectedly, and just as he got to the end of the porch the judge said, "Come back. If you'd like to have a quarter for a pick-me-up, I'd be glad to help you." And he handed the old fellow a quarter. The drunk looked up at him startled, but with great appreciation in his eyes and said, "Judge, you've been there, haven't you?"

When Mr. Innis asked that he speak to this group or there would be disruption,* I told the group I believed he ought to be free to speak his piece as he saw it even though we had not planned it that way. You can't plan for everyone. It wasn't that we feared disruption: I've faced that all my life.

A great many people were invited here to participate who couldn't come. No one really knows how thorough we tried to make this and how we tried to include everyone who has a spark of interest whether I agree with him or not. I said I think Mr. Innis should speak. And when the Reverend Smith told me he wanted to deliver a prayer, I agreed to that too, even though we had other plans of our own. The great thing about being an American is that you are uninhibited by chains and by baseball bats and by suppression most of the time. And I think we ought to allow other people the freedom that we reserve for ourselves. So, we've done that. And that explains what has happened. And I'm proud that we have done it.

It's mighty easy for any group that has suffered as cruelly as most of you have and as long as you have to feel an insecurity and a sense of injustice that is so compelling at times that you may overlook some other things. I went to Washington in President Hoover's day and I felt it then, because I'd worked for a dollar a day from sunup to sundown. I saw the Bonus Marchers driven down from Pennsylvania Avenue to the Anacostia Flats, and it troubled me to see the man on the white horse treating them like

*Mr. Innis later explained to the members of the LBJ Library staff that any threat of a disruption by him was a misunderstanding of his intentions.

REMARKS

we handled our goats and sheep, I saw the days of the Depression when little children had to go to garbage cans and pull grapefruit out and hull it with their teeth because they didn't have food. And I lived through the Roosevelt Era and the Truman Era and the Eisenhower Era and the Kennedy Era. I knew all of those men, and I knew them reasonably well. And all of them left office wiser than they entered it. But I believe that all of them were honorable, and I see this from the perspective of a former President. I believe every man elevated to that high office where he can go no farther wants to do what he thinks is right. And it's a lot easier to want to do what's right than to know what's right. That's the big problem. Most Presidents—and I speak of myself particularly—went through a learning process. We knew more when we left Washington than when we went there. Some of you men were patient and understanding and tolerant of me as you feel people have not been tolerant of you. When I stumbled you helped me, and when I erred you strengthened me.

I'm not speaking with any political thought in mind. I'm speaking of our future in this country. It's certainly appropriate for you leaders—and God knows some of the best ones are in this room—to reason with President Nixon and his Cabinet and with the leadership of the House and the Senate—with Speaker Albert and Senator Mansfield and Senator Scott and Congressman Ford. And I hope they will all reason with you. I speak from experience. No one in this room has said more ugly things about me than Clarence Mitchell, but there's no man in this room that I respect more. Either he has learned a lot in forty years or I have learned a lot. In any event, we finally saw some things that we could do together, and we did them.

Now I want you to go back, all of you, and counsel together—the way Burke Marshall used to in the Kennedy days and later in the Johnson days, in that soft, kind way; just cool and push off wrath, indulge, tolerate, and finally come out with a program with objectives, with organization—like the Civil Rights Congress, or Civil Rights group, or whatever name it was given. I used to meet with thirty-five of them; and they knew more about me when they left than they did when they came, and I knew a lot more about the problems of the world.

I would hope that some together the outstanding people of leadership; that the wisdom; that you could select look at what we've done, but going to wipe out our poverty, destroy our educational program, medical program, and dilute Civil Rights programs. I hope true.

But if it is true, the horse the attention of the American. And to bring it to the attention to listen. And to bring it to the attention of the

I've sat through lots of things I didn't want to hear. I can't remember many of them. I'm sure that the Cabinet would see you, because I know right. He doesn't want to let been unfair or unjust to his friends.

But knowing what's right the things I did when I was President more than I did know when comes to a President's attention has limited access to groups. Speaker, talk to the leadership to the groups in the Congress talk to the Cabinet. Not der bombs or telling them you might have to do that some. I went in the White House wouldn't let me get up there them, listened to them, and the way Clarence Mitchell Vernon Jordan, or Julian Belmont would blow up the Capitol heard! That's the point. That

THE HONORABLE LYNDON B. JOHNSON

I would hope that some foundation or group would bring together the outstanding people that you have here and in other places of leadership; that those with experience could lend some wisdom; that you could select specific small groups, not only to look at what we've done, but to move ahead. I've heard how we're going to wipe out our poverty program, how we're going to destroy our educational program, how we're going to cripple our medical program, and dilute our enforcement, and a lot of our Civil Rights programs. I hope that's not true. I don't believe it is true.

But if it is true, the horsepower is in this room to bring it to the attention of the American people, and they should hear it. And to bring it to the attention of the Congress, and it's their duty to listen. And to bring it to the attention of the Cabinet. And to bring it to the attention of the President himself.

I've sat through lots of meetings of an hour or more hearing things I didn't want to hear about myself or my Administration. I can't remember many of them, though, that weren't helpful. And I'm sure that the Cabinet and the Congress and the President would see you, because I know the President wants to do what's right. He doesn't want to leave the Presidency feeling that he's been unfair or unjust to his fellow man.

But knowing what's right is important. I look back at some of the things I did when I was President, and I wish I'd known a little more than I did know when I made the decisions. Every decision comes to a President's attention with so many unknowns, and he has limited access to groups. It's important that you talk to the Speaker, talk to the leadership, talk to the committeemen, and talk to the groups in the Congress who are sympathetic with you, and talk to the Cabinet. Not demanding, not threatening, not planting bombs or telling them you're going to camp in the restroom. You might have to do that sometime. I had a lot do that with me. I went in the White House and shortly after I was there, they wouldn't let me get up the stairs to my room. But I talked to them, listened to them, and I was better for it. I don't think that's the way Clarence Mitchell, or Roy Wilkins, Whitney Young, Vernon Jordan, or Julian Bond would handle it. I don't think they would blow up the Capitol if they weren't heard. But they can be heard! That's the point. They should be heard! That's the point.

REMARKS

So, set your priorities. See that what we've done we don't lose. Then see how we're going to get black credit in this country. I asked Andy Brimmer about that yesterday and he said, "Maybe we ought to have every bank preserve a record of every loan application and forward those applications once a year to the Secretary of the Treasury. We could examine them and see where credit had been refused because of discrimination, or unjustifiably. And maybe we could prevail upon those people who have charters to do something about such cases while they still have their charters!"

Well, I don't know whether that's right or not, but that's what you ought to know or find out. We talk about black scholarships: I met with Dr. Spurr here and Mrs. Johnson is on the Board of Regents, and we're going to try to get the money to go into all these schools and say to black boys and girls and brown boys and girls, "You haven't had a fair shake of the dice; it doesn't do you any good to be able to go to all these fine schools. You haven't got the money, but we'll get you a scholarship." We'll try to equalize things some.

There are so many things down the road that we must do. So, organize. I've had the best lobbyists in the world hang onto my arm and try to twist it. But there's none of them I'd rate any better than some there on that front row.

And you can see in a meeting how they reason. So, let's go back to that Biblical adage that I've referred to so often. Let's try to get our folks reasoning together and reasoning with the Congress, with the Cabinet. We've got a lot of new members. Reason with the leadership and with the President. There's not a thing in the world wrong—as a matter of fact, there's everything right—about a group saying, "Mr. President, we would like you to set aside an hour to let us talk." And you don't need to start off by saying he's terrible, because he doesn't think he's terrible. None of us did, although we might have been. Start talking about how you believe that he wants to do what's right and how you believe *this* is right, and you'll be surprised how many men who want to do what's right will try to help you.

While I can't provide much go-go at this period of my life, I can provide a lot of hope and dream and encouragement, and I'll sell a few calves now and then and contribute.

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THE HONORABLE LYNDON B. JOHNSON

Let's watch what's been done and see that it's preserved, but let's say we have just begun, and let's go on. Until every boy and girl born into this land, whatever state, whatever color, can stand on the same level ground, our job will not be done!

Now, then, one more thing. We wouldn't have this auditorium and these wonderful facilities except for one man more than any other man I know—Arthur Krim of New York—who spent about four or five years of his life making it possible for us to have this opportunity we have had today, because of his love for his fellow humans. Arthur, I want you to turn around and look at them.

With these words the President left the podium for the last time, and the Civil Rights Symposium came to a close

Chiron

Also sent to George S. per POTUS note on page 2. —

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
10/15/95

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OCTOBER 13, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*

SUBJECT: SUMMARY OF CABINET WEEKLY REPORTS
OCTOBER 8-14

Handwritten notes and stamps:
P.7 (Leon, Mangan, Quinn, K. G. Gung)
P.8 (C. P. Gung)
P.12 (J. Quinn, K. G. Gung)
P.2 (L. G. Gung)
P.3 (C. G. Gung)
P.4 (C. G. Gung)
P.7 (C. G. Gung)

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.

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6/15/94*

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

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
as we
doing as
we 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 boarder control initiative called Operation Gatekeeper. She will meet with local public and law enforcement officials, boarder 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. 8 "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 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.

cedeno
Need to check on
so waivers by US Congress
to run, 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

• **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

THE PRESIDENT HAS SEEN

10/15/95

95 OCT 13 11:25

THE WHITE HOUSE

WASHINGTON

October 13, 1995

MEMORANDUM FOR THE PRESIDENT
THE CHIEF OF STAFF

FROM: RAHM EMANUEL *RC*

SUBJECT: WEEKLY REPORT

*Malet Sun
Good Leon + Rahm
for my notes
BC*

WELFARE:

This week we produced a letter from you to the Blair House participants outlining your position on the upcoming conference. In addition to your letter, we helped coordinate the release of an NGA letter, Conference of Mayors letter, and a letter from Moderate House Republicans. Our goal is to produce a series of letters which reinforce the Senate's approach on welfare reform.

The House has named conferees and the Senate has not. Everyone expects Senator Dole to name conferees next week and for the conference to begin meeting late next week.

Want to see this report for out [The next time we have an opportunity to shape a welfare story is with our Statement of Administration Position (SAP). Bruce is working on the paper now. I am sure each of the major papers will do a set-up piece on welfare. The objective is to have the SAP ready for release next week, prior to the conference opening.

It is becoming clear that the politics surrounding welfare reform is inverse to the politics around reconciliation. Confrontation on one will facilitate cooperation on the other. If you veto reconciliation, the Republicans will probably produce a welfare conference report more to your liking (and vice versa). The Republicans cannot sustain two conflicts simultaneously.

CRIME:

V The New York Times should be running a story sometime this weekend on your efforts to combat youth violence. I have been working with the writer, Fox Butterfield, sending speeches and other material for the story. The basis of the story is your conversation with Police Chief Harmon from St. Louis about his model approach and your efforts to expand his anti-youth violence approach to 10 cities throughout the country.

I have been working with Justice and Dennis Burke in Domestic policy concerning an announcement of drug testing for Federally detained criminals with prior drug convictions.

(See attachment) If the policy holds up, I would recommend a speech or radio address on the subject.

This week I met with Lee Brown's staff to review his schedule over the next two weeks. The highlights include the PSA announcement today (all four networks have agreed to run them), a speech at CATO attacking legalization, the destruction of crack houses, and a speech to coaches on drug testing of high-school athletes. Hopefully, these activities will boost his profile and make him a credible surrogate.

IMMIGRATION:

Handwritten: [scribble]
All week I have been working with INS and Justice on their Operation Gatekeeper announcement. The big news is that U.S. Attorney Alan Bersin will be named the new Southwest Border Special Representative for drugs and immigration.

MEXICO:

I know that I am in the minority and hold a contrary view, but I think the visit from Zedillo was a net loss for you and shows that we do not coordinate your politics with the NSC.

Handwritten: I don't know this!
From a communications perspective, allowing Mexico to leak the story on the \$700 million payback gave them all the credit three days before Zedillo's visit. The night of the visit ABC Nightly News led with a 3 minute story on the Mexico drug trade and how corrupt their government officials are and how close we are to the Mexican Government. In addition, the announcement on immigration was down-played to such an extreme so as not to offend the Mexicans that we got blasted in the San Diego press (see attached).

*Handwritten: **
I know that Wall Street was happy with the visit, but for the rest of America it looks like we gave them \$12 billion and our jobs and they give us narcotics and immigrants. The lack of progress on narcotics and immigration only show that the Mexicans got the better end of the deal. In addition, what was the strategic purpose of the visit? Why did Zedillo have to receive a state visit and what did we get in return to advance your leadership? This trip only reinforces the public's perception that we are elitist and removed from their concerns on jobs and drugs.

I hope that in the future there will be better coordination between the NSC and your own politics.

UNIVERSAL ARRESTEE DRUG TESTING PROGRAM

1. Universal

Presidential Announcement:

The President will announce that the Federal Government is instituting the following policy: anyone arrested and processed in the Federal criminal system will be tested for drugs.

In order to execute that policy, the President signs a Presidential Directive to the Attorney General directing her to require that all United States Attorneys engage in the following practice:

- 1) to affirmatively oppose bail in all Federal arrests unless the defendant agrees to drug testing for all controlled substances;
- 2) that if the defendant violates this condition of bail, the United States Attorney will seek to revoke the bail and prosecute the defendant for violating Federal law.

Follow-up Event: On the day following the President's announcement, a press conference will occur with 5 State Attorney Generals announcing that they are following the President's lead and ordering their attorneys to follow an identical practice at the State level.

Current Procedure:

Under current procedure, when a defendant is arrested, s/he makes an initial appearance before a Federal Magistrate in which bail is determined. The decision of bail eligibility is made by the Magistrate based on a recommendation made by the United States Attorney. The United States Attorney as part of his/her recommendation can request that certain conditions be imposed for bail. In this case, we would require that the United States Attorney not recommend any bail that is not conditioned on drug testing during the bail period..

Funding:

The Universal Arrestee Drug Testing program would constitute a pre-trial service; therefore, the Administrative Office of the United States Courts (AO) would have jurisdiction and authority to cover the costs of a pre-trial service agreement.

During Fiscal Year 1994, the United States Attorneys' offices filed criminal cases against 51,264 defendants in United States District Court.

In the District of Columbia, the total cost of a five-drug screen is less than \$5.00. The Federal Bureau of Prisons currently pays \$9.50 for each general drug test. The AO currently pays \$13.50 for each drug test.

Since the AO would be administering the Universal Arrestee Drug Testing program, the program at a minimum would cost -- using their cost-per-test -- \$692,064.

*Why should
we pay for it?*

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 10.24

TO:

 George

FROM: Staff Secretary

FYI - for
what it's
worth.

True



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D.C. 20500

95 OCT 23 P2:54

October 21, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: LEE P. BROWN 

SUBJECT: African-American Male Initiative

Overview. When we first talked about my joining the Administration, we discussed the work I had been doing in Houston as Director of the Black Male Initiative at Texas Southern University. As you know, that program focused on the problems of African-American males. You expressed an interest in my continuing my work in this area after I became a member of your Cabinet. This memorandum reviews the activities undertaken so far, which are particularly relevant in light of the concerns expressed following the "Million Man March" last week.

The African-American Male Initiative. In response to your suggestion, in August of 1994, I established a new Initiative to examine the special problems facing African-American males, especially those relating to drugs and violence, and to develop a range of responses and an action agenda designed to address the most serious of those problems. This Initiative was mentioned in your 1995 National Drug Control Strategy.

Under this Initiative, the activities undertaken have fallen into the areas of planning, development, coordination, and leadership. A key component of the Initiative is the development of a matrix listing Federal programs and the executives who are in positions of management or leadership over those programs; thereby making it easier to identify problems, develop potential solutions to them, and direct our efforts to the appropriate level for decisions and cross-departmental actions.

Another key element of the Initiative is an outreach effort to existing and planned State and local and private sector programs, such as those undertaken by the Kellogg Foundation and the Urban League. This was done to gather information on what specific programs are underway, what approaches seem to be effective, what problems are being encountered, and to act as a clearinghouse for information on "what works."

The ultimate aim of this Initiative is to link efforts at all levels to identify and to address the problems some African-American males face. Further, the Initiative seeks to take the necessary steps at the Federal level, and support similar actions at other levels of government, to remove the barriers and impediments that hinder or slow progress in addressing these problems in a cohesive and comprehensive manner.

This project is also intended to serve as a model for the development of other such minority group-specific initiatives. If successful, this approach--as a "proof of concept"--can easily be applied to other identified minority groups and/or high-risk populations.

In support of this initiative I have taken a series of steps. First, we conducted an exhaustive review of the literature. Then, in March and April we convened meetings of three panels of experts -- academicians, community activists and leaders, and experts from within the Federal Government. The purpose of these meetings was to assist ONDCP in appropriately defining and framing the issues and developing the parameters of a national strategy to address the problems of African-American males.

Our specific goal for these panels was to examine the problems of inadequate education, poor health, impaired social functioning, unemployment, and substance abuse as they impact upon drug related crime and violence among African American males and to suggest a proper course of action to address these problems. This is an enormous job, but the longest journey always begins with a single step, and we have taken that step.

The information gathered from the three panels is now being combined with that of the literature search as well as other data we are pulling together to provide the foundation of a "National Strategic Action Plan for African-American Males." We expect this plan to include a series of specific action items in terms of the role of the Federal government, State and local governments, the private sector, and the African-American community. By linking the Federal and State and local governments, major corporations and foundations, efforts at the grassroots level, and the power of the academic sector, we can form a powerful coalition on behalf of African-American males.

Attached are the final drafts of the three panel reports, with short summaries of each and a general summary of findings.

Memorandum to the President

October 21, 1995

Page -3-

In an allied action, the Department of Health and Human Services, Office of Minority Health, has recently signed a contract with Central State University (Ohio) on behalf of the Minority Male (MIN-MALE) Consortium for an initiative on family and community violence prevention. The Consortium was established as a coalition of 19 universities and colleges to address the problems and challenges of minority males. I recently keynoted their first conference on these issues.

Summary. Your concern about the problems faced by African-American Males goes back far before the recent march on Washington. You should be willing to publicly express the fact that you have been working on this issue for some time and your commitment to the issue remains firm and fully supportive of dealing with these important problems.

Attachments

cc: Carol Rasco

C:

send to
J. Klein +
cc Doris and

He should talk
to her to see if
reply needed,

T.



SAN FRANCISCO AIDS FOUNDATION P.O. BOX 426182, SAN FRANCISCO, CALIFORNIA 94142-6182

95 OCT 24 9:41
October 17, 1995

The Honorable William J. Clinton
U.S. House of Representatives
Washington, DC 20500-2000

Dear Representative Clinton:

In the coming weeks, you will cast one of the most crucial votes of your term, perhaps of your legislative career -- your upcoming vote on Medicaid and the Budget Reconciliation bill. **We implore you to vote against the pending Medicaid "reform" proposal and the Reconciliation bill that will contain it.**

Medicaid is vitally important to people living with HIV/AIDS. **An estimated 45%-50% of People with AIDS (PWA's) rely on Medicaid.** Medicaid covers 46% of all AIDS-related medical costs for PWA's. Discrimination, pre-existing condition exclusions, lifetime coverage limits, experience rating and other insurance practices have all served as barriers to people with HIV disease in receiving private health care coverage. Medicaid has, therefore, become the only form of health care coverage available to many people living with HIV/AIDS.

The current Medicaid "reform" proposal pending in Congress would eliminate the essential guarantee of Medicaid coverage, even for people with disabilities such as AIDS; block grant the entire program to the states; cut \$182 billion in Medicaid growth by the year 2002, and likely result in massive shifts to bare-bones managed care plans in all the states. States with the highest incidence of HIV/AIDS and the largest populations in the nation, like California, New York, Texas and Illinois will be the hardest hit under the pending proposals. The results will be devastating for PWA's.

The San Francisco AIDS Foundation stands in firm opposition to the elimination of the Medicaid coverage guarantee. This provision of the pending proposals is a sweeping change that would diminish profoundly the ability of people living with HIV/AIDS to access health care. People with HIV/AIDS who lose Medicaid health coverage would be forced to seek care in hospital emergency rooms. Hospitals and state taxpayers would ultimately bear the burden of over-utilization of this high-cost care.

Similarly, although it is possible to provide quality care for people with HIV/AIDS in managed care, these programs typically restrict access to services, particularly specialty care, as a means of cutting costs. Managed care models often result in disincentives -- sometimes insurmountable ones -- to care for individuals with high-cost conditions, such as HIV/AIDS. Thus, reform in this area must contain protections to ensure access to medically necessary care and appropriate grievance procedures. The current

Congressional proposals are totally lacking in this area and, thus, are absolutely inadequate for PWA's.

The San Francisco AIDS Foundation opposes cuts to Medicaid that will result in a loss of essential services for those who need them. Without its status as an entitlement, a Medicaid block grant will provide care only until the allocated money runs out. The cuts in Medicaid growth set by current Congressional proposals guarantee that the money will run out. The only logical result of such an approach will be severe, undifferentiated cuts in services, quality of care and the numbers of individuals eligible for essential services.

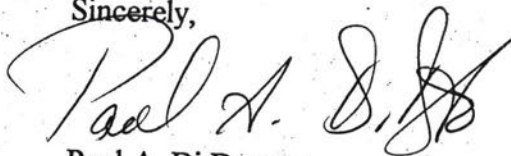
Block granting Medicaid will not solve the problems inherent in the Congressional proposals nor will this approach solve the nation's health care crisis. Although responsible block grants may help cut administrative costs, they will not achieve massive program savings. Also, block grants are unable to respond well to changes in demand for health services, and do not reflect shifts in epidemiological patterns or the economy. Enhanced state flexibility -- a promise of block grants -- may prove wise if accomplished through thoughtful program evaluation. Block granting Medicaid, with few federal guidelines, does not accomplish such a thoughtful re-evaluation.

In accordance with the voices of health care professionals and institutions, people living with HIV/AIDS and AIDS service organizations throughout the country, the San Francisco AIDS Foundation urges you to protect the integrity of health care services financed by our current Medicaid system and to oppose any attempt to unnecessarily weaken this already fragile safety net. **Vote "NO" on Reconciliation.**

The San Francisco AIDS Foundation is a community-based, non-profit AIDS service organization. We have been Northern California's largest AIDS service provider and leading voice in HIV/AIDS public policy issues since 1982.

If you have any further questions about Medicaid and HIV/AIDS, or other health care related issues for people living with HIV/AIDS, please contact me at (415) 487-3096.

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul A. Di Donato", with a stylized flourish at the end.

Paul A. Di Donato
Director of Federal Affairs

Enclosure



SAN FRANCISCO AIDS FOUNDATION P.O. BOX 426182, SAN FRANCISCO, CALIFORNIA 94142-6182

TESTIMONY OF SAN FRANCISCO AIDS FOUNDATION

DELIVERED BY PAUL A. DI DONATO, DIRECTOR OF FEDERAL AFFAIRS, SFAF

**BEFORE CONGRESSIONAL PUBLIC HEARING ON PENDING
CONGRESSIONAL MEDICAID PROPOSALS**

**SAN FRANCISCO, CA
OCTOBER 2, 1995**

Congresswoman Pelosi, Congresswoman Eshoo and Members of the Panel:

My name is Paul Di Donato and I am the Director of Federal Affairs for the San Francisco AIDS Foundation. The AIDS Foundation serves over 3000 clients annually with direct client, case management and housing services, develops HIV education and prevention initiatives, provides research and treatment education and engages in local, state and federal public policy advocacy efforts around HIV/AIDS issues, including work on national health care reform last year and the battle to save Medicaid this year.

I am pleased to be here to testify about the critical importance of Medicaid to people living with HIV/AIDS in San Francisco, in California and across the nation.

The importance of continued adequate federal funding of and federal standards for Medicaid -- as a matter of life and death for people with HIV/AIDS -- becomes crystal clear when one realizes the tremendous extent to which the bulk of people with HIV/AIDS rely on Medicaid. The HIV/AIDS trends in Medicaid are also essential to understand. In fact, when one analyzes these facts, the likely impact on people with HIV/AIDS of the current Republican proposals before Congress becomes frighteningly clear.

Medicaid provides health coverage to over 40% of people with HIV/AIDS nationally, including over 90% of pediatric AIDS cases. In California, this figure is close to 50%. In the Bay Area, it is close to 60%. Medicaid is the largest insurer of people with HIV/AIDS and has become increasingly so through every year of the epidemic. The growth trend in Medicaid coverage of HIV/AIDS health care is astounding. Between 1991 and 1995 alone,

the Health Care Financing Administration estimates that Medicaid HIV/AIDS care costs more than doubled. In California, the figures quadrupled from 1986 to 1993.

Medicaid will provide close to \$4 billion worth of HIV/AIDS care nationally in 1995, a figure that includes the federal and state contributions. In comparison, the Ryan White CARE Act has been funded at \$656 million for FY 1996, thus making Medicaid the largest, single HIV/AIDS program funded by either the federal government or the states. In California, Medi-Cal provided \$165 million in HIV/AIDS care in 1992-93, the last year for which the state has such figures. Medi-Cal's importance to San Francisco and to California for HIV/AIDS care is not surprising given the impact of HIV/AIDS in these areas. San Francisco has had over 20,000 AIDS cases to date and 1 in every 25 residents (approximately 28,000) is assumed to be HIV-positive; California has had over 85,000 cases of AIDS to date and approximately 150,000 Californians is assumed to be living with HIV.

Medicaid is especially important for people with HIV/AIDS because of the nature of HIV/AIDS itself. Due to the general age and average lifespan of those living with HIV, few people with AIDS ever qualify for Medicare -- approximately 4%. Moreover, with the average cost of HIV/AIDS care at \$120,000-\$140,000 per person, HIV/AIDS quickly impoverishes even those who are well off at the start of the disease, thus making self-financing of adequate care virtually impossible for everyone. Furthermore, the private health insurance industry, through a variety of means -- legal and illegal -- manages to reduce its share of coverage of annual HIV/AIDS health care costs every year.

SFAF TESTIMONY PAGE 3

I do not need to review in detail the federal proposals on Medicaid here: the \$182 billion in cuts by the year 2002; the incentives for states to cut even more from their contributions to the program and the permission to do so; the block granting with its attendant loss of essential federal guidelines, standards and mandates; the incentives for states to implement the barest of bare-bones managed care plans and so on. California will lose over \$19 billion, or 20% of its federal Medicaid monies by the year 2002 under the current Republican Congressional plans. Like other states, California will be free to set new standards for eligibility, services rendered with Medicaid dollars and the like.

Let me say simply and clearly that every major element of these plans will devastate people with HIV and AIDS dependent now or in the future on Medi-Cal:

- The funding cuts will result in many PWA's losing some or all of their desperately-needed Medicaid health services with the obvious result being increased illness and premature death;

- Mandatory managed care programs without adequate funding and guidelines will also likely result in decreased access to care and a lower level of care that is inappropriate for HIV/AIDS and other serious, chronic or life-threatening diseases;

- The block granting of Medicaid will only compound these problems through the loss of federal guidelines that now protect vulnerable populations and mandate a broad benefits

package. The inevitable end effect of block granting will be the loss of essential services for those who need them.

Let me mention one California-specific example of innovative and essential Medicaid-financed care likely to fall victim to these Congressional proposals. In California, we have used waivers to create innovative, humane and cost-effective programs, such as the AIDS Medi-Cal Waiver Program. This program provides nurse case-management and home and community-based care to Medi-Cal recipients with symptomatic HIV or AIDS. In 1994, the AIDS waiver program cost \$5.3 million, yet saved over \$90 million in nursing home and hospital costs, as calculated by the federal government, that would have otherwise been incurred for these recipients. Such optional programs will likely be the first to go as California attempts to manage Medi-Cal with a dramatic decrease in federal dollars.

It must be made clear as well that there is no safety net underneath the Medicaid system to compensate for these draconian measures. For example, in San Francisco, our Public Health Department, which provides essential HIV/AIDS services and many other essential services, currently receives 40% of its income from Medi-Cal. San Francisco's Public Health Department will not only not be able to make up for the loss in HIV/AIDS care resulting from these Medicaid cuts, but will be hard-pressed to maintain its level of current services. Moreover, Congress is cutting other funds essential to public health departments and urban health care infrastructures, such as funds for mental health and substance abuse.

SFAF TESTIMONY PAGE 5

Ryan White CARE dollars and the non-profit sector that exists in the AIDS community are no solutions. Ryan White monies in the Bay Area and throughout California have always been inadequate to meet the demands of the HIV epidemic; they are already stretched to a breaking point. Moreover, in many Ryan White programs and other city and state funded programs, Medicaid funding provides the foundation upon which other funds are used to build the HIV/AIDS care system. Thus, there is no safety net to catch those who will fall between the ever-widening, soon to be gaping Medicaid/Medi-Cal crack. ▽

Reform in Medicaid may be desirable, even necessary. However, what we are looking at in these proposals moving through Congress now with such speed is not careful reform or effective cost-efficiency; it is a wholesale rampage against the medical safety net in this nation.

Thank you.

(K) Jesse Jackson's statement following the O.J. verdict. Forwarded by Harold.

(L) Responses on regional media. Regional media outreach re Presidential medal ceremonies - from McCurry/Baer. Media Affairs office books local and regional interviews with the hometown media of award winners. Many interviews -- print, radio and TV -- were booked for Medal of Freedom (34 in total), National Heritage Fellowships (31 in total), and Arts and Humanities Medals (21 in total). Also, Media Affairs sent advisories for all of the events to all print, radio and TV outlets in the home states of the recipients; also sent to African-American, Hispanic and other specialty press outlets.

Mailings and faxes - from McCurry. Mike is working with Baer to be more aggressive getting out op-eds and columns from you to regional outlets. E.g. -- Media Affairs is prepared to send a column to thousands of Midwest weeklies after Economic Conference. This is beyond normal weekly faxing and mailing. On an average week, Media Affairs faxes and mails 14,000 press releases/advisories (as above), talking points, statements, nomination announcements, etc. to regional print, radio and TV outlets across the country. This includes well-received mailing of daily talking points to 240 friendly radio talk show hosts. Each month, we mail three or four separate editorial board packages to top 250 ed boards and all of the ed boards which endorsed you in '92. Specialty press usually receive photos as well (e.g., 220 African-American press outlets received a photo of you and Oseola McCarty). Mike notes we should work on getting you to record weekly regional radio actualities.

(M) *Mother Jones* editorial "The Emperor's new polls". Forwarded by Harold. Largely about Dick Morris.

(N) Four questions from NBC/WSJ poll of July 29-August 1. Forwarded by Harold. Your job approval (43 approve, 48 disapprove); matchup of you and Sen. Dole (40-48); matchup of you and Congressional Republicans on Social Security and Medicare (33 for you, 31 for them) and on budget (34 for you, 48 for them).

(O) WSJ article on the problem of flat wages. Forwarded by Bob Reich.

"real

Changes"

THE PRESIDENT HAS SEEN

10.19.95

THE WHITE HOUSE

WASHINGTON

95 OCT 13 P2:52

10 October 1995

MEMORANDUM TO THE PRESIDENT

CC: LEON PANETTA
ERSKINE BOWLES

FROM: HAROLD ICKES *HI*

RE: NBC/WALL STREET JOURNAL JULY/AUGUST POLL

Attached are the "cross tabs" for several questions from the NBC/Wall Street Journal 29 July-1 August 1995 poll taken by the Hart-Teeter organizations. Question 3A deals with the approval or disapproval of your job as President, question 6A is a matchup between you and Senator Dole, question 13 focuses on Social Security and Medicaid and question 14A focuses on the federal budget. All of these questions are for whites only.

8/23/95

HART - TEETER

NBC/WSJ (July)

Study 4061

July 29-August 1, 1995

Q.3a. In general, do you approve or disapprove of the job Bill Clinton is doing as president?

	----- All Whites -----						----- White Men -----						----- White Women -----					
	Age						Age						Age					
	All Whites	18-34	35-44	45-54	55-64	65 and over	All White Men	18-34	35-44	45-54	55-64	65 and over	All White Women	18-34	35-44	45-54	55-64	65 and over
Total	804	227	165	237	99	158	391	120	84	112	52	67	413	107	81	124	47	92
Approve	43%	44%	40%	47%	41%	42%	39%	37%	42%	44%	40%	36%	47%	53%	37%	51%	42%	47%
Disapprove	48%	49%	55%	47%	48%	43%	55%	57%	54%	51%	52%	56%	42%	39%	57%	42%	44%	34%
Not sure	9%	7%	5%	6%	11%	15%	6%	6%	4%	5%	8%	8%	11%	8%	6%	7%	1%	19%

8/23/95

HART - TESTER

NBC/WSJ (July)
Study 4061
July 29-August 1, 1995

Q.6a. If the next election for president were held today, and Bill Clinton were running as the Democratic candidate and Bob Dole were the Republican candidate, for whom would you vote?

	----- All Whites -----						----- White Men -----						----- White Women -----					
	Age						Age						Age					
	All Whites	18-34	35-44	45-54	55-64	65 and over	All White Men	18-34	35-44	45-54	55-64	65 and over	All White Women	18-34	35-44	45-54	55-64	65 and over
Total	804	227	165	237	99	158	391	120	84	112	52	67	413	107	81	124	47	92
Bill Clinton	40%	39%	37%	41%	41%	41%	37%	34%	37%	40%	45%	39%	41%	45%	37%	43%	36%	42%
Bob Dole	48%	50%	44%	46%	53%	48%	51%	55%	40%	48%	52%	56%	46%	45%	50%	44%	55%	42%
Depends (VOL)	1%	1%	2%	1%	-	-	1%	-	1%	1%	-	-	1%	1%	2%	1%	-	-
Neither/other (VOL)	6%	4%	13%	7%	5%	3%	8%	6%	16%	8%	3%	3%	5%	2%	9%	6%	7%	4%
Not sure	5%	6%	4%	5%	1%	8%	3%	5%	6%	3%	-	2%	7%	7%	2%	6%	2%	12%

8/23/95

NBC/WSJ (July)

Study 4061

July 29-August 1, 1995

Q.13. For each of the following issues, please tell me if you think that President Clinton or the Republicans in Congress generally have the better approach to this issue, if there is not much difference. Who do you think has a better approach to the following issue -- President Clinton or the Republicans in Congress, or do you think there isn't much difference on this issue?

Social Security and Medicare

	----- All Whites -----						----- White Men -----						----- White Women -----					
	Age						Age						Age					
	All Whites	18-34	35-44	45-54	55-64	65 and over	All White Men	18-34	35-44	45-54	55-64	65 and over	All White Women	18-34	35-44	45-54	55-64	65 and over
Total	804	227	165	237	99	158	391	120	84	112	52	67	413	107	81	124	47	9
President Clinton	33%	29%	29%	32%	40%	39%	31%	21%	33%	33%	38%	41%	35%	39%	26%	31%	41%	37%
Republicans in Congress	31%	36%	34%	29%	30%	26%	37%	42%	36%	33%	36%	32%	26%	28%	31%	26%	25%	21%
No difference	26%	26%	29%	30%	23%	20%	26%	30%	28%	29%	20%	17%	26%	22%	29%	31%	26%	24%
Not sure	10%	9%	8%	9%	7%	15%	6%	7%	3%	5%	6%	10%	13%	11%	14%	12%	8%	18%

8/23/95

HART - YEETER

NBC/WSJ (July)
Study 4061
July 29-August 1, 1995

Q.14a. From what you know, do you agree more with Bill Clinton and the Democrats or more with the Republicans in Congress on the issue of the federal budget?

	----- All Whites -----						----- White Men -----						----- White Women -----					
	Age						Age						Age					
	All Whites	18-34	35-44	45-54	55-64	65 and over	All White Men	18-34	35-44	45-54	55-64	65 and over	All White Women	18-34	35-44	45-54	55-64	65 and over
Total	804	227	165	237	99	158	391	120	84	112	52	67	413	107	81	124	47	92
Clinton and Democrats	34%	34%	33%	36%	31%	32%	28%	24%	32%	30%	31%	33%	39%	46%	35%	41%	32%	32%
Republicans in Congress	48%	47%	53%	48%	52%	44%	57%	57%	55%	55%	57%	51%	40%	36%	50%	41%	46%	38%
Both equal (VOL)	5%	4%	3%	5%	8%	7%	6%	4%	5%	7%	8%	8%	4%	3%	1%	4%	7%	6%
Not sure	13%	15%	11%	11%	9%	17%	9%	15%	8%	8%	4%	8%	17%	15%	14%	14%	15%	24%



SILVER DINER

95 OCT 20 P4: 55

Via United States Mail

September 28, 1995

President Bill Clinton
The White House
Washington, D.C.

Dear Bill:

I really appreciated your letter which included the 1984 article from *Georgetown Magazine*. Happily, your package arrived literally as I was defining my domain as a founder in a tight merger negotiation between Silver Diner and Food Trends Acquisition Corporation (see attached press release). You could not have planned better timing! The letter from you, combined with the article about my previous founder roles, added some weight to my case which I am sure helped me to prevail. You served me as a friend and I appreciated your thoughtfulness.

I'm glad you and your family had a chance to get away to Wyoming. I trust it was both beautiful and renewing. Kate and I send our best to you and Hillary. Kate has really enjoyed her part in Hillary's "Prayer Team."

Sincerely,

Bob Giaimo

BG:nsh

Enclosures

10-20-95
Received from
Betty Currie - Send
to Jim Dorland
Yes ☒
No ☐ C.
10/20
Original to Jim Dorland
M.

11806 ROCKVILLE PIKE, ROCKVILLE, MD 20852



SILVER DINER

TO: Silver Diner's Family and Friends

FROM: Robert T. Giaimo

DATE: August 30, 1995

SUBJ: **Merger Announcement**

It is with a great deal of pride and excitement that I inform you that Silver Diner has entered into a merger agreement with Food Trends Acquisition Corporation, a publicly-traded company formed to invest in the food service industry. A copy of a news release which we have issued is attached, and I encourage you to review it.

The proposed merger is good news for Silver Diner. It will not change our restaurants, operating strategies, management, culture -- or our name. I will, of course, continue my leadership role as President and Chief Executive Officer, along with the rest of the current Silver Diner management team and Board of Directors. The merger will provide us with substantial additional financial resources to continue to grow the company and pursue our goals. In effect, **provided the merger is consummated** which we hope will occur by the first quarter of 1996, we will be "going public" by combining forces with Food Trends. Regardless of the outcome, we are confident that Silver Diner will continue to grow and further its company mission of excellence.

I am extremely pleased that Silver Diner has progressed to the point that we can take this next important step. I want to thank you for your contribution to this milestone in Silver Diner's development and in helping us "Be The Best We Can Be."

Sincerely,

11806 ROCKVILLE PIKE, ROCKVILLE, MD 20852



SILVER DINER

FOR IMMEDIATE RELEASE

CONTACT: Douglas Suliman, Jr., President
Food Trends Acquisition Corporation
(617)630-4400

Robert Giaimo, President
Silver Diner Development, Inc.
(301)770-0333

Betsy Brod/Alex Gleeson
Media Contact: Stacey Berns
Morgen-Walke Associates
(212)850-5600

FOOD TRENDS ACQUISITION CORPORATION AND SILVER DINER DEVELOPMENT, INC. SIGN DEFINITIVE MERGER AGREEMENT

Newton, Mass. and Rockville, Md., August 30, 1995 -- Food Trends Acquisition Corporation (OTC Bulletin Board: FDTR) and Silver Diner Development, Inc. ("Silver Diner") announced today that they have entered into a definitive merger agreement. The resulting company will assume the name Silver Diner Development Incorporated ("SDDI") and will own and operate a growing chain of Silver Diner full-service family restaurants.

Food Trends Acquisition Corp. ("Food Trends") will issue to Silver Diner's shareholders an aggregate of 5,283,334 shares of stock, or approximately 55% of the outstanding stock following the consummation of the transaction. Upon completion of the proposed merger, Food Trends will make available approximately \$14.2 million of cash, net of transaction costs, to Silver Diner. With the capital from this merger, Silver Diner can accelerate its new restaurant development in the Washington D.C. area as well as initiate development in new markets and reduce existing debt. The merger is conditioned upon Food Trends warrant holders agreeing to exchange 5.5 warrants for one newly-issued Food Trends share. A minimum of 90% of all 5.4 million warrants must be tendered. The merger is also subject to customary conditions including shareholder approval for both companies.

11806 ROCKVILLE PIKE, ROCKVILLE, MD 20852

The combined company will be headquartered in Rockville, Maryland and will continue to be operated by the current Silver Diner executive team, led by Robert T. Giaimo, President, Chief Executive Officer and Founder. The Board of Directors is expected to consist of nine members, including the seven existing Directors of Silver Diner and two Directors to be nominated by Food Trends. It is anticipated that the Food Trends nominees will be current Chairman George A. Naddaff and President Douglas Suliman, Jr.

Silver Diner, which currently operates five restaurants in the greater Washington, D.C. metropolitan area, is positioned as a family restaurant which captures the classic, streamlined look of the traditional diner, while serving a menu of home-style American food prepared with the health sensibilities of the '90s consumer in mind. The restaurants serve "good food fast" for Breakfast, Lunch, Dinner and Late Night in a visually appealing setting at affordable prices, drawing customers of all age groups and income levels.

The original Silver Diner restaurant opened in Rockville, Maryland in 1989 and the most recent facility opened in Fair Oaks, Virginia in April, 1995. A new Silver Diner restaurant, the company's sixth, is currently under construction in Tyson's Corner, Virginia.

A registration statement and proxy containing information regarding both companies' businesses and operations and covering the transaction will be filed with the Securities and Exchange Commission in late September.

Food Trends is a Specified Purpose Acquisition Company that was formed in 1994 for the purpose of acquiring or merging with an operating business engaged in the food service industry. Food Trends made a public offering of its securities in November, 1994 which was underwritten by GKN Securities Corp.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

THE PRESIDENT HAS SEEN
10/19/95

October 17, 1995

95 OCT 17 P7:04

MEMORANDUM FOR THE PRESIDENT

FROM:

MARTIN N. BAILY

Mart. N. Baily

SUBJECT:

Goods and Services Exports and Imports in August,
Commerce Department Release, Wednesday, 8:30 a.m.

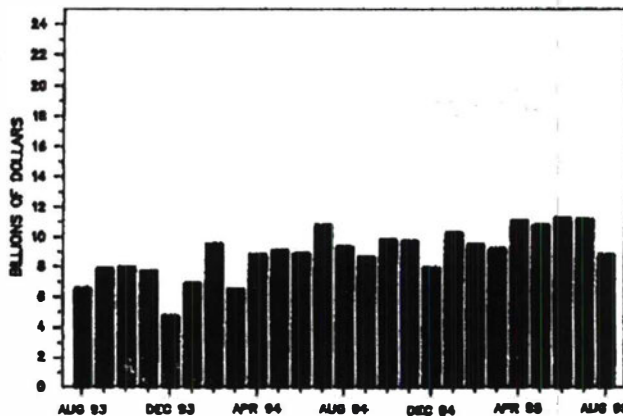
The deficit on trade in goods and services was \$8.8 billion in August, much lower than market expectations. The July deficit was revised downward to \$11.2 billion; with the revised figures, the deficit has fallen for 2 months in a row. August exports of \$65.7 billion are the highest monthly exports on record.

- Exports of goods rose 5 percent in August, reaching \$48.7 billion. There were large increases in exports of capital goods and automotive vehicles, parts, and engines. Monthly exports of foods, feeds, and beverages, capital goods, and consumer goods all established new record highs.
- Imports of goods were almost unchanged in August. A decline in imports of industrial supplies and materials was offset by an increase in imports of automotive vehicles, parts, and engines.
- The merchandise trade deficits with Mexico, Japan, and Europe improved in July. The deficit with Mexico fell to \$1.1 billion, its lowest level since January 1995. The deficit with Japan fell slightly, the fifth consecutive monthly decline. The deficit with Western Europe dropped sharply, from \$3.1 billion in July to \$0.8 billion in August.
- The merchandise trade deficit with China rose from \$3.3 billion in July to \$3.9 billion in August.

Exports and Imports of Goods and Services



Trade Deficit for Goods and Services



*This is worth getting out
to our "newspaper"*

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 10-20

TO: Mike McLarry
Don Baker

FROM: Staff Secretary

FYI. ^{Jim} Doaskind's shop
will do Proclamation for
Vets Day. You guys
may want to take Herschel
up on other stuff (speech,
radio address, press release).





Nancy Hernreich

; AFFAIRS

*Staff Secy -
Please handle*

9500

*C - also
send to
JD re
proclamation*

g track record of
support for veterans employment, in particular, veterans
preference in federal employment.

On the 50th anniversary of the Veterans Preference Act, you issued a letter committing to the preservation of the Veterans Preference Act. There has been a steady increase in the percentage of new hires in the government who are veterans. This number has grown significantly (12.1% in 1990 to 18% in 1994) and the Director of the Office of Personnel and Management testified that the basic principal of veterans' preference is a "bedrock value" that will not be changed. Jim King's staff is working closely with the Veterans Service Organizations to modernize and enhance veterans' preference in a reformed government. OPM has released to press these statistics and VA has shared this with, the State Director of Veterans Affairs, Veterans Service Organizations and the Military Coalition.

As we approach Veterans Day 1995, we have an ideal opportunity to disseminate a positive message to veterans, and to the members of the Armed Forces, that you are clearly committed to ensuring that they are provided preferential employment and training opportunities.

I recommend that my staff coordinate with appropriate White House counterparts to develop a message that may be incorporated into a White House press release, a radio address, or your speeches for Veterans Day 1995.

Respectfully,

Hershel W. Gober
Hershel W. Gober

C:

Copy RHM
+ Leon + McLaughlin
Laurie + Baer
on C (ji)

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 10-20

TO: Mike McLaughlin
Don Baer

FROM: Staff Secretary

FYI. ^{Jim} Dorskind's shop
will do Proclamation for
Vets Day. You guys
may want to take Herschel
up on other stuff (speech,
radio address, press release).



10-14-95

✓ (C) **Samuels responses to tax questions.** (i) **Repeal of Sec. 936.** You asked about possible substitutes to Ways and Means repeal of Sec. 936 (Puerto Rico and possession tax credit). Samuels says Sec. 936 is an inefficient tax subsidy. As an alternative, he and Sec. Rubin recommend that the credit be changed to provide an incentive solely to increase economic activity in possessions, rather than to attribute profits there. That is the position we supported at the Ways and Means markup.

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DEPARTMENT OF THE TREASURY
WASHINGTON

October 12, 1995

MEMORANDUM FOR PRESIDENT CLINTON

FROM: LES SAMUELS . 105

THROUGH: SECRETARY RUBIN R.E.R.

SUBJECT: Reversion of Pension Assets and Government Plans

C:
Copy Rubin
+ Leon + McLaughlin
Laura + Baer
on C(ii)

A. Pension Reversions. In discussions on the Ways and Means proposal to permit employers to withdraw assets from pension plans, you have asked whether it would be advisable to relax, in a more limited way than the Ways and Means proposal, the restrictions on employers' ability to remove assets from qualified pension plans. We believe the Administration should approach with great caution any proposed relaxation of these restrictions.

Current Law. Employers may not make use of any pension plan assets unless they terminate the plan, satisfy all liabilities to plan participants, and pay at least a 20% excise tax. A limited exception, enacted in 1990 and extended as part of GATT, allows pension assets that generally exceed 125% of the plan's so-called "current liability" to be redirected toward paying the current year's retiree health benefits -- without terminating the plan or paying the excise tax. Because this exception is not widely used -- strict conditions apply (e.g., employers must agree to maintain retiree health benefits for five years) -- and because its extension in GATT was necessary to satisfy then-Senator Danforth, the Administration accepted the limited GATT extension in 1994.

Republican Proposal. The Republican proposal would allow companies to withdraw pension assets from the plan for any purpose, provided that, in general, at least 125% of "current liability" remains in the plan. No excise tax would apply to withdrawals made prior to July 1, 1996, and only a 6.5% excise tax would be imposed on withdrawals made through the year 2000.

Concerns With Expanding Corporate Access to Pension Assets. Expanding corporate access to assets in pension plans could increase the risk to the Pension Benefit Guaranty Corporation (PBGC), which insures pension benefits. A plan that has an apparent 25% "cushion" of assets in excess of "current liability" today may be underfunded tomorrow, because the "cushion" (1) may be significantly overstated as employers use aggressive assumptions in calculating liability, (2) is subject to the fluctuations of the financial markets, and (3) may erode rapidly when employers experience financial problems.

Permitting employers greater freedom to withdraw pension assets also raises tax policy concerns, because it allows companies to use retirement savings tax incentives for unrelated purposes. One of the main tax advantages conferred on qualified pension plans is the tax-free accumulation of the earnings on pension assets. Under the proposal, employers that withdraw assets would escape all or most of the excise tax that was designed to recapture this valuable tax benefit.

The Senate Finance Committee is reportedly considering a more limited version of the Ways and Means proposal. We will carefully consider the Finance Committee proposal, but we believe a very high standard must be met before pension assets can be withdrawn by employers.

B. State and Local Government Plans. You have also asked how the Ways and Means proposal would apply to state and local government pension plans and whether the federal government is liable for funding deficiencies of these plans. Unlike private employers, State and local governments are not required to set aside pension assets in trust for their employees. However, if they do so, reversions are generally prohibited. While the Republican reversion proposal, as drafted, is not limited to private sector plans, it would not raise tax policy concerns with respect to governmental employers; as tax-exempt entities, they receive no special benefit from the tax exemption of earnings on pension assets held in trust, and are exempt from the excise tax on reversions. In addition, withdrawal of assets from governmental plans would not increase potential PBGC liability because the PBGC does not insure these plans.

cc Laura Tyson

THE WHITE HOUSE
WASHINGTON

10/20

Learn

You asked for
a draft memo
on this subject.

Indy

THE WHITE HOUSE

WASHINGTON

October 23, 1995

MEMORANDUM FOR SENIOR STAFF

FROM: LEON PANETTA
SUBJECT: Reminder on Paper Flow

This is a reminder that all paper intended for the President, whether for his information or for action, is to be routed through the Staff Secretary's office. There are two important reasons for this system.

First, with respect to action items (decision memos, correspondence, executive orders, speeches, etc.) it protects both the President and the senior staff by allowing the Staff Secretary to circulate items to relevant staff for comment before they go to the President. The President is thus assured both of receiving items that have been properly vetted and of being informed about relevant staff views; and senior staff with an interest in a particular item are given an opportunity to convey their views before the matter goes to the President. Passing action items directly to the President doesn't serve him.

Second, unless all paper (including information items, articles, etc.) is routed through the Staff Secretary, he cannot effectively do the job of regulating the flow of paper to the President in a manageable way that gives priority to time sensitive items and keeps the President from getting overloaded.

Please make sure that you and everyone in your departments follow this procedure.

10/20 original to HRC

TODD -

will send to HRC

after you have seen

-(need to make copy of cover
page for chron)

UNCOVERED:

ARKA TIMES

Irregularities at UAMS,
Children's Hospital

Page 9

OCTOBER 13, 1995

THE INSIDER

TATUM LEAVING?

Allyn Tatum, the longtime employer representative on the state Workers Compensation Commission, has talked with Tyson Foods about a job, but apparently no decision has been made. Tatum wouldn't discuss the matter, other than to say he'd issue a statement when he decided to leave the commission. Archie Schaffer III, a spokesman for Tyson, said "He has been in conversation with some of our folks. As far as I know, no deal has been struck." The commission hears claims by injured workers against their employers, including Tyson, the state's largest employer.

CHANGE COMING?

Speaking of workers compensation, the controversial workers comp law that management pushed through the legislature in 1993 may be revised in the next session. Representatives of the Arkansas AFL-CIO, which fought the legislation, have been meeting with representatives of the Arkansas State Chamber of Commerce and reportedly are near agreement on a compromise bill to submit to the legislature. A decline in the cost of workers compensation insurance apparently has made management more amenable to compromise.

FROM CHATEAU TO ATELIER

A couple of Little Rock businessmen have an idea for use of the historic (but dilapidated) Kramer School: Turn it into housing for artists.

Insurance agent Todd Rice and a partner who asked that his name not be disclosed

WW

THE PRESIDENT

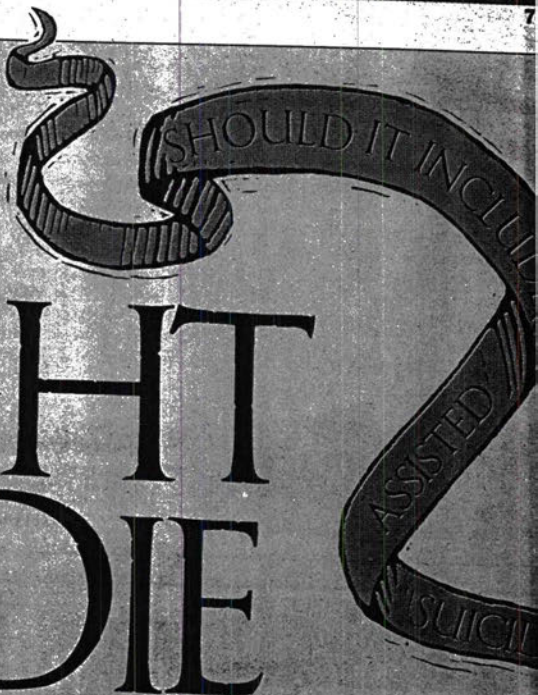
AT

sent to HOC

THE PRESIDENT HAS SEEN
10/19/95

ARKANSAS'S WEEKLY NEWSPAPER
OF POLITICS AND CULTURE

THE RIGHT TO DIE



By Leslie Newell Peacock - Page 11

LAURENCE COLLECTION/WOLFE FUND, 1991, 01.45



Wheatley
to Gary
this is
clerk

Wheatley
to Gary
this is
clerk

THE WHITE HOUSE
WASHINGTON

October 18, 1995

Sandra Wheatley Wilson
Route 2, Box 171A
Sherman, Texas 75092

Dear Sandra:

Thanks for your note of October 10. I enjoyed hearing from you and appreciate your passing along your son's invitation to speak at Grayson County Junior College. While I never know what the schedule here will hold, I've shared your request with my schedulers, Anne Walley and Stephanie Streett, for their consideration.

Thanks, too, for your kind words about the job I'm doing. Your support means a lot to me, and I'm glad to know you think we're on the right track.

I hope you and Gary are well and look forward to seeing you both before our next reunion!

Sincerely,

Trin

Thanks for your
support —

CC w/incoming
Stephanie Streett
Anne Walley
~scheduling

Oct. 10, 1995

Dear Bill,

I wanted to ask you something. Our son Ben is going to college at Grainger County Jr. College here in Sherman. He asked me last week if I thought there was a chance you would come and talk to his Government class. It meets on Tues. - Thurs. at 8:AM.

I told him I doubt it but I would write & ask you anyway. He has never met you, but would like to. We were able to bring our whole family to the White House last October except Ben. He was playing football at OBU and the coach wouldn't let him come. He's not there this year, so he feels like he lost out.

I told him we might be invited to the White House again if you are re-elected. We are working hard for you. You have done more for the USA than anybody in a long time. I hate it when people say negative things about you.

Our high school class has a strong bond with each other & nothing can ever break that.

Friends always,

Sandra Wheatley Wil

Pt. 2 Box 171A

Sherman, Tx. 75092

Handwritten notes:
This is a letter
from the
President
of the
Ducks Unlimited
Waterfowl
Symposium
to the
President
of the
Ducks Unlimited
Waterfowl
Symposium
to the
President
of the
Ducks Unlimited
Waterfowl
Symposium

ITE HOUSE
INGTON

October 18, 1995

Emon A. Mahony, Jr.
Post Office Box 17004
Fort Smith, Arkansas 72917-7004

Dear Emon:

Thanks for your letter of October 5. As always, it was good to hear from you and to get your encouraging words.

I appreciate your suggestion that I speak at the Ducks Unlimited Waterfowl Symposium. While I never know what the schedule here will hold, I've shared your letter with my schedulers, Stephanie Streett and Anne Walley, to let them know of your personal recommendation.

Thanks, too, for what you said about the progress we're making on economic issues. I'm glad you think we're on the right track.

I hope you're doing well and look forward to seeing you soon.

Sincerely,

Handwritten signature: BM

CC w/incoming
Stephanie Streett
Anne Walley
~scheduling

EMON A. MAHONY, JR.
P. O. Box 17004
Fort Smith, AR 72917-7004
Tel: 501/783-3181, Extension 2203
Fax: 501/784-2095

October 5, 1995

The Honorable Bill Clinton
Attn: Ms. Nancy Hernreich
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

Steve Frick, who runs Arkansas DU, approached me a few days ago seeking assistance in getting you to speak at their Seventieth International Waterfowl Symposium in Memphis on February 4, 1996. He asked that I ask David Pryor to ask you, which I am doing through Paul Berry.

The reason for this letter is to express my opinion that it would be good for you to do, time permitting. It would be one more step to help shore up a politically weak area.

In addition, it affords you the opportunity to make strong environmental statements in a manner more acceptable to the hunting and fishing community than any other alternative of which I am aware. My recommendation and encouragement is solely on the basis that I see it as a political plus. Hopefully, circumstances will allow you to do it, if you are so inclined.

On a different note, I am most encouraged that it appears very possible that the CPI will become more accurate. It has been my belief, pre-dating your taking office, that your administration would produce the most significant, responsible, economic legislation the country has seen in my lifetime. There are, of course, lots of reasons for that. Your actions have strongly reinforced my belief. Thank you.

It is, of course, most encouraging to see your improved status with the electorate; may it keep on improving.

Sincerely yours,



Emon A. Mahony, Jr.

EAMjr:lap

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
10-19-95

95 OCT 13 P2:53

10 October 1995

MEMORANDUM TO THE PRESIDENT
LEON PANETTA

CC: ERSKINE BOWLES
STEPHANIE STREET
ANN WALLEY

FROM: HAROLD ICKES

RE: JAY MAZUR'S REQUEST FOR MEETING WITH THE PRESIDENT
REGARDING IMMIGRATION

*Let's discuss
all winners to meet with*

Jay Mazur, the International President of UNITE (which was recently formed by a merger of the International Ladies Garment Workers Union and the Amalgamated Clothing Workers Union) has asked for a meeting with the President, which would include Tom Donahue, President of the AFL-CIO, Cardinal Anthony Bevilacqua, Archbishop of Philadelphia, Maynard Wishner, President, Council of Jewish Federations, Raul Yzaguirre, President, National Council of La Raza, and Hugh Price, President of the National Urban League, to discuss the immigration legislation moving in Congress. It is Mr. Mazur's feeling that the legislation on the Hill is an attack on some of our core values. He feels that the important distinction between legal and illegal immigration is being blurred and that the current legislation is the most restrictive cut in legal immigration since the 1920's, and "is clearly capitalizing on the viscous anti-immigrant mood that people like Wilson helped to ignite in California."

Let's discuss.

MEMORANDUM

TO: Harold Ickes
FROM: Jay Mazur 
REF: Request for Meeting with the President
DATE: September 28, 1995

This is a brief note to request your intervention for arranging a meeting with the President. In the last couple of weeks, our union has been alarmed by the speed with which some extremely xenophobic legislation on immigration is making its way in Congress. We are joined in this concern by the AFL-CIO and some prominent national organizations in the religious and civil rights community. On behalf of the leaders of these organizations I have offered to seek a meeting to express our deep concerns directly to the President.

We believe that it is time that the President provide the moral leadership on this issue. The legislation moving in Congress is an attack on some of our core values. We all agree that illegal immigration is against our national interest and should be controlled. But there is a sharp difference between illegal and legal immigration. And it is important that the distinction not be blurred. This legislation, by providing the most restrictive cuts in legal immigration since the 1920s, is clearly capitalizing on the vicious anti-immigrant mood that people like Wilson helped ignite in California. It should not become the national mood. We truly fear that if it does, it is going to be very divisive for our pluralistic society. The President alone is in the position to set the tone of the debate. We are all anxious that he do it, and we will be there to support him.

At the meeting with the President, I expect to be joined by the following:

1. Tom Donahue, President, AFL-CIO;
2. Cardinal Anthony Bevilacqua, the Archbishop of Philadelphia or Archbishop McCarrick of Newark.
3. Maynard Wishner, President, Council of Jewish Federations.
4. Raul Yzaguire, President, National Council of La Raza, or Antonia Hernandez, President, Mexican-American Legal Defense and

Education Fund.

5. Hugh Price, President of the National Urban League.

Given the urgency, I would truly appreciate it if you can arrange the meeting as soon as possible.

Thanks very much.

Orally, the Department informed us that it takes several years to prosecute each case, and one of the reasons for the increase in prosecutions and recoverables under the Clinton Administration is that the previous Administration increased the staff of the HHS Inspector General and initiated more prosecutions, which were completed during the Clinton Administration. The Clinton Administration has scaled back the staff of the Inspector General, from 1151 full time employees in FY 1991 to 940 in FY 1995. At the same time as it has cut staff, HHS has increased the proportion of staff devoted to fighting Medicare and Medicaid fraud so that roughly the same number of staff are devoted to fighting Medicaid and Medicare fraud in this Administration as in the previous Administration.

OCT 3 1995

MEMORANDUM FOR THE HONORABLE JENNIFER O'CONNOR

Thank you for the opportunity to provide additional information about our progress in combatting fraud and abuse in the Medicare and Medicaid programs.

Prosecutions

- In the first three years of the Clinton Administration our Office of Inspector General obtained 579 criminal prosecutions against persons attempting to defraud the Medicare and Medicaid programs, compared to 456 during the same period in the last Administration for a 27% increase.
- In fiscal years 1993 through 1995, our Office of Inspector General obtained 489 criminal prosecutions against persons attempting to defraud the Medicare program, compared to 379 during the period fiscal years 1989 through 1991 for a 29% increase.
- In fiscal years 1993 through 1995, our Office of Inspector General obtained 90 criminal prosecutions against persons attempting to defraud the Medicaid program, compared to 77 during the period fiscal years 1989 through 1991 for a 17% increase.

Investigative Receivables

- In fiscal years 1993 through 1995, our Office of Inspector General accounted for \$753 million in investigative receivables against persons companies attempting to defraud the Medicare and Medicaid programs, compared to \$129 million during the period fiscal years 1989 through 1991 for a 484% increase.
- In fiscal years 1993 through 1995, our Office of Inspector General accounted for \$714 million in investigative receivables against persons companies attempting to defraud the Medicare programs, compared to \$96 million during the period fiscal years 1989 through 1991 for a 644% increase.
- In fiscal years 1993 through 1995, our Office of Inspector General accounted for \$39 million in investigative receivables against persons and companies attempting to defraud the Medicaid program, compared to \$33 million during the period fiscal years 1989 through 1991 for a 18% increase.

Page 2 - Jennifer O'Connor

Savings

- o In fiscal years 1993 through 1995, our Office of Inspector General accounted for \$14.71 billion in Medicare and Medicaid program savings, compared to \$7.72 billion during the period fiscal years 1989 through 1991 for a 90% increase.
- o In fiscal years 1993 through 1995, our Office of Inspector General accounted for \$11.09 billion in Medicare program savings, compared to \$7.3 billion during the period fiscal years 1989 through 1991 for a 52% increase.
- o In fiscal years 1993 through 1995, our Office of Inspector General accounted for \$3.617 billion in Medicaid program savings, compared to \$419 million during the period fiscal years 1989 through 1991 for a 763% increase.

Sanctions

- o The office excluded (ie. sanctioned) 3,728 providers who had defrauded or abused our programs from continued participation in the Medicare and Medicaid programs, compared with 2,751 in the last Administration, for a 36% increase.

The attached charts display these comparisons in a graphic format.

If you have any questions, please call me at 619-3146.



Michael M. Mangano
Principal Deputy Inspector General

MEMORANDUM FOR THE HONORABLE JENNIFER O'CONNOR - Addendum

In reviewing the information we sent you, we discovered an error in the savings figures we reported. Below is the corrected savings information and attached is the corresponding chart.

Savings

- o In fiscal years 1993 through 1995, our Office of Inspector General accounted for \$14.71 billion in Medicare and Medicaid program savings, compared to \$9.88 billion during the period fiscal years 1989 through 1991 for a 49% increase.
- o In fiscal years 1993 through 1995, our Office of Inspector General accounted for \$11.09 billion in Medicare program savings, compared to \$9.42 billion during the period fiscal years 1989 through 1991 for a 18% increase.
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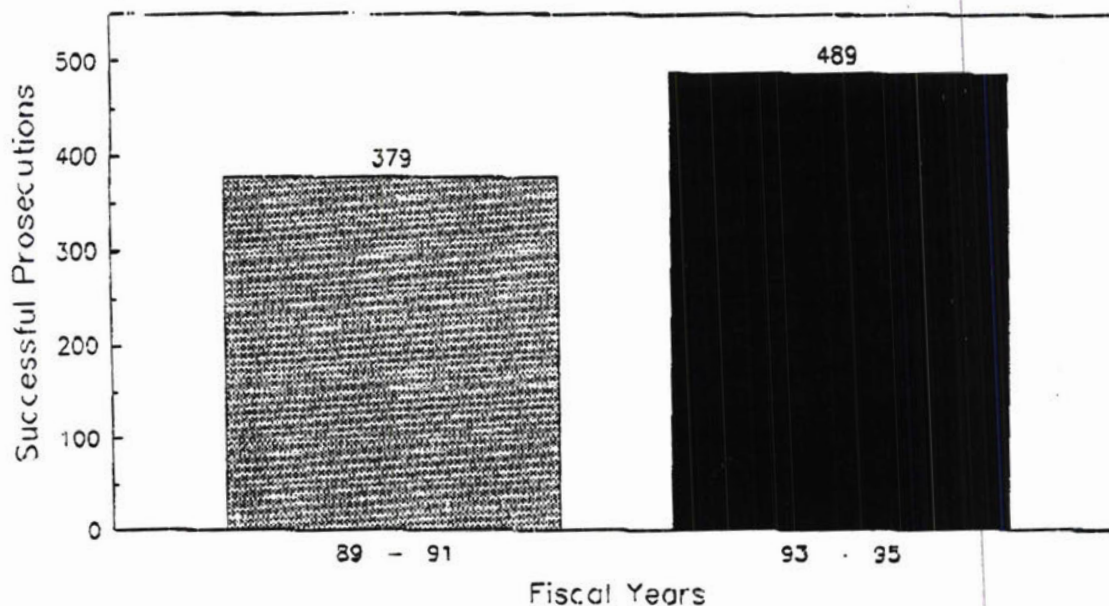
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Michael M. Mangano
Principal Deputy Inspector General

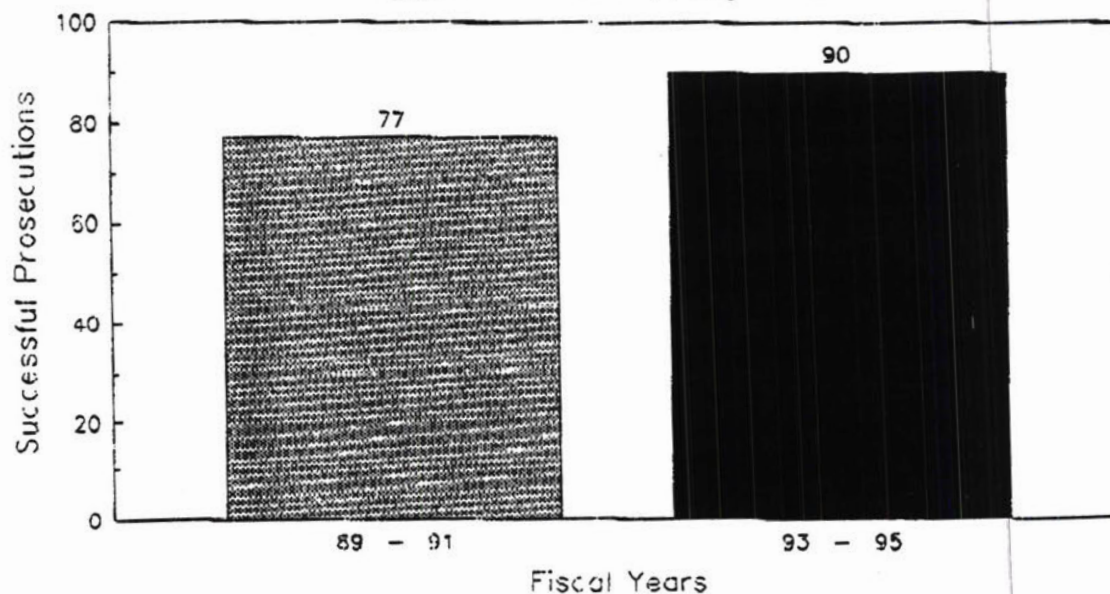
SUCCESSFUL HEALTH CARE CRIMINAL PROSECUTIONS MEDICARE

For Fiscal Years 1989 through 1995



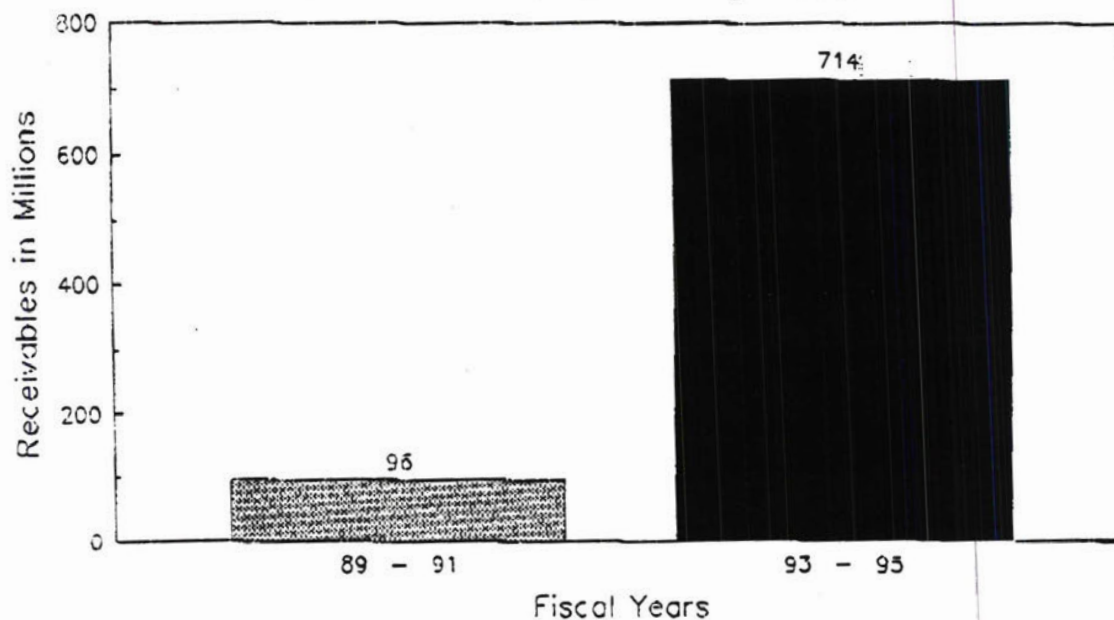
SUCCESSFUL HEALTH CARE CRIMINAL PROSECUTIONS MEDICAID

For Fiscal Years 1989 through 1995



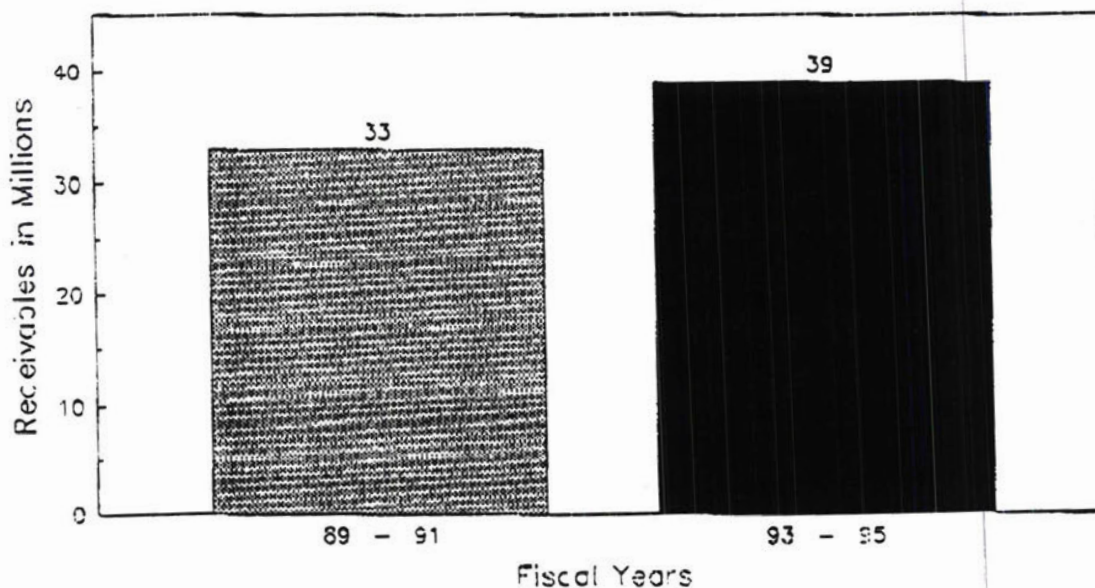
INVESTIGATIVE HEALTH CARE RECEIVABLES MEDICARE

For Fiscal Years 1989 through 1995



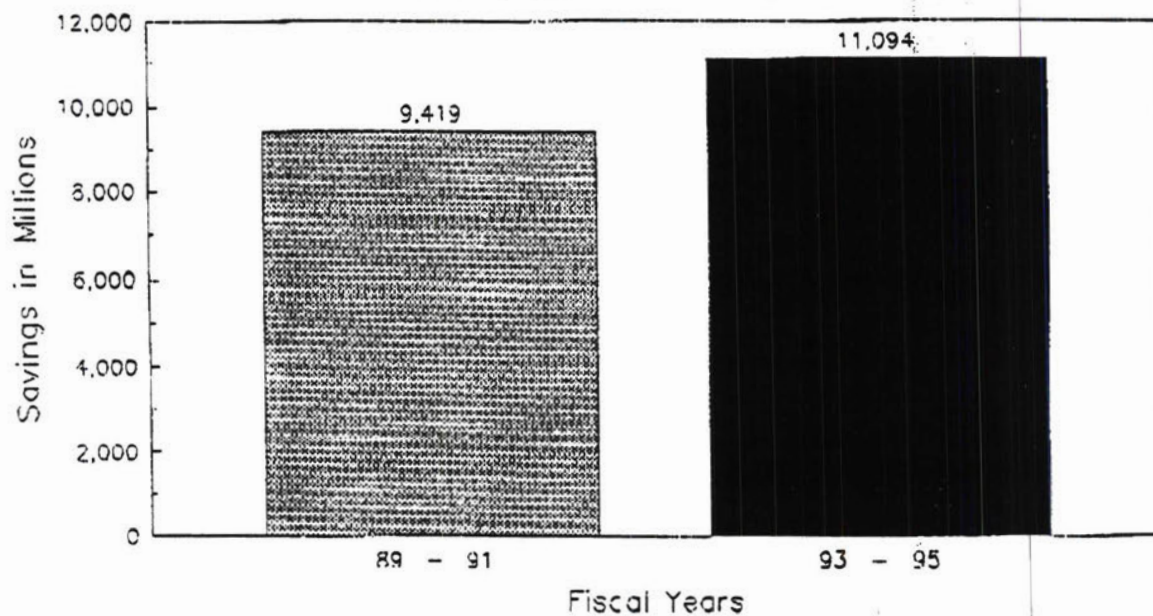
INVESTIGATIVE HEALTH CARE RECEIVABLES MEDICAID

For Fiscal Years 1989 through 1995



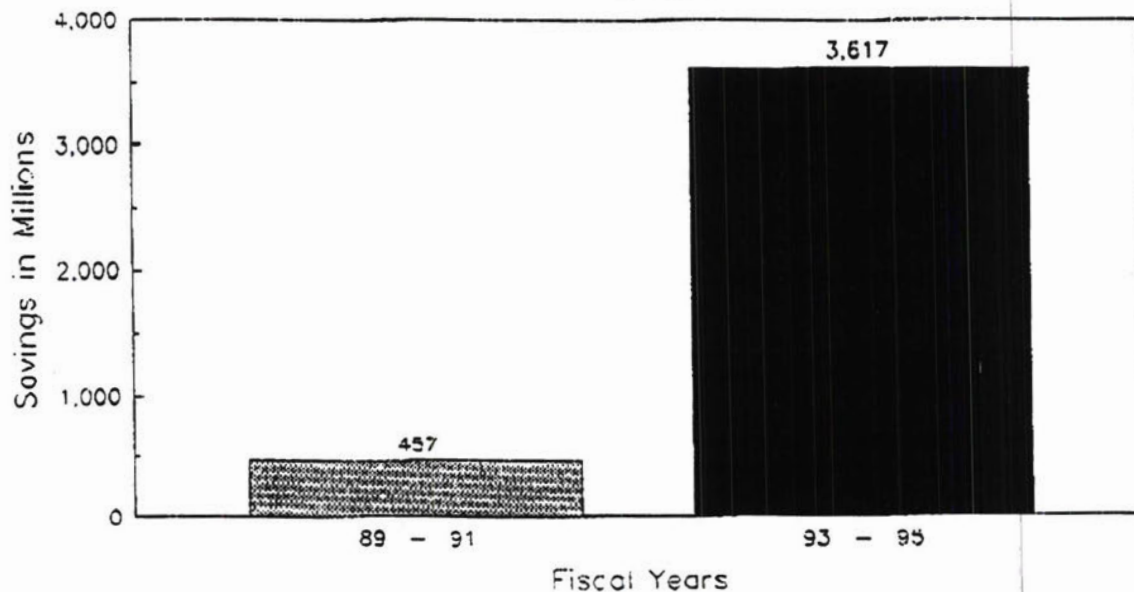
HEALTH CARE SAVINGS MEDICARE

For Fiscal Years 1989 through 1995



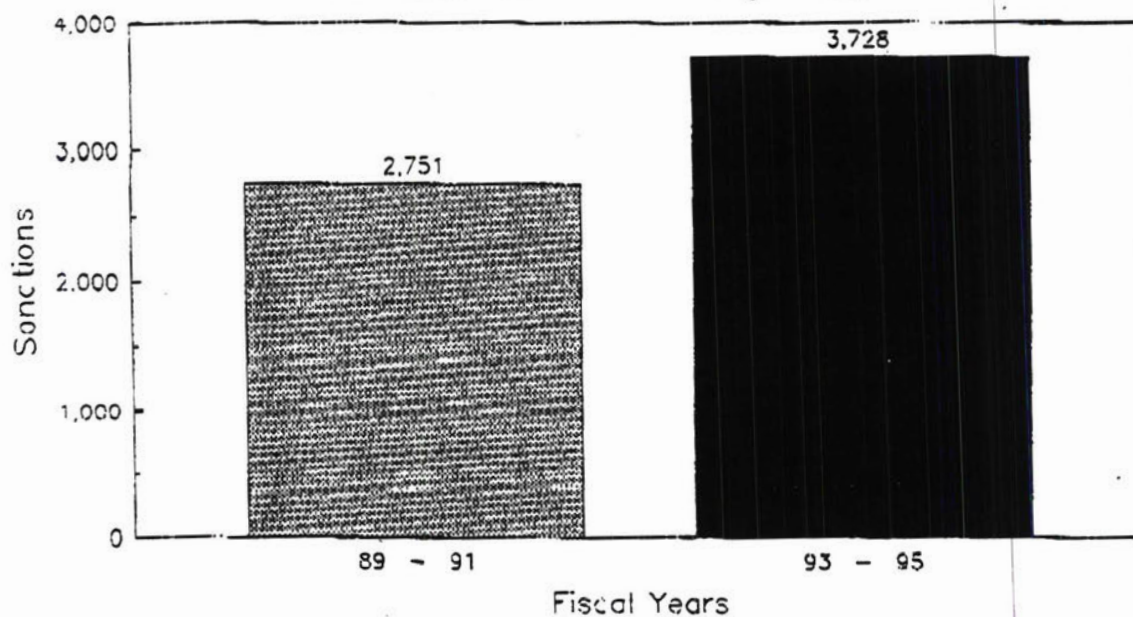
HEALTH CARE SAVINGS MEDICAID

For Fiscal Years 1989 through 1995



ADMINISTRATIVE HEALTH CARE SANCTIONS

For Fiscal Years 1989 through 1995



10.19.95

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✓ (E) **Rasco update on transracial adoptions.** States are supposed to comply with the Multiethnic Placement Act by October 21. HHS issued its guidelines in April and informed 29 states in June that they did not comply. At this point, nine states (including Arkansas) have compliance problems, but all are working to comply. There is ambivalence or hostility among many social workers, and some may try to get around MEPA (as interpreted by HHS) by certifying in each individual child would be better off in a same-race family. HHS will use spot checks to try to prevent this. *Note -- some would read MEPA to allow a general preference for same race adoptions if that did not cause any delay, but HHS does not read it that way; HHS prohibits consideration of race as a general criterion, allowing only a specific showing that consideration of race would promote a particular child's interests.*

THE WHITE HOUSE
WASHINGTON

October 12, 1995

95 OCT 12 P4:28

MEMORANDUM FOR THE PRESIDENT

FROM: Carol H. Rasco 
SUBJECT: Update on Transracial Adoptions

The deadline for state compliance with the Multiethnic Placement Act (MEPA) is approaching, so I thought it would be useful to provide you with an update on state compliance and the Department of Health and Human Services' enforcement of the law.

In general, the states are agreeing to come into compliance. However, it is more difficult to know whether the actual practices of social workers are changing, and so we will continue to work with HHS to ensure that the law is vigorously enforced.

Progress on State Compliance: States must comply with MEPA by October 21 of this year. If this requires a change in state law, a state may request an extension.

HHS met the law's requirement to issue enforcement guidelines by April of this year. HHS then reviewed the laws, regulations, and policies of each state, and in June informed 29 states that their practices did not comply with MEPA. Since then, HHS has worked with those states to help them come into compliance. At this point, nine states have compliance issues, but each of them has indicated a willingness to comply with MEPA.

- o Four states (Arkansas, California, Kentucky, and Minnesota) have laws that violate MEPA. Three have requested extensions: California expects state legislative action by January 1996, with Kentucky following by April 1996, and Minnesota by July 1996. HHS will grant these extensions prior to October 21. Arkansas states that it does not need an extension because state law allows the state to override laws that conflict with Federal law. HHS is verifying this. Arkansas does plan to change its statute at some point.
- o Four states (Iowa, Maryland, Oklahoma, and Virginia) have regulations that may not be changed by October 21. Iowa and Maryland have requested extensions based on the length of time needed to make a regulatory change, but HHS does not have the authority to issue an extension for this reason. Maryland will issue an interim policy complying with MEPA on October 21.

Oklahoma's new regulation is now on the Governor's desk, and HHS will urge him to sign it before October 21. Virginia will issue an interim policy to enforce compliance, but its draft language permits race to be considered too broadly as a factor in adoptions. HHS is working with the State Attorney General to ensure compliance with MEPA.

HHS will inform these states that their regulations do not comply with MEPA and they must alter them. HHS is required to work toward voluntary compliance before taking actions such as withholding Federal funds.

- o Tennessee is being sued by an individual over its policy of significantly limiting transracial adoption. After MEPA was enacted, the plaintiff also sued the Federal government, but the court has just agreed to drop us from the case.

Initially HHS lawyers felt that the litigation precluded enforcement. HHS recently reversed that position, and so has only just contacted Tennessee to discuss compliance. There are some signals that the state will agree to comply.

As you know, the ambivalence and even hostility toward the policy that many social workers feel make it hard to gauge the status of compliance with great certainty. Individuals may try to maintain the status quo by certifying in each individual case that a particular child would be better off with a family of the same race. To combat this, early next year HHS will begin spot checks of records to monitor the practices of social workers, especially in states with large numbers of complaints. HHS also investigates all complaints. My staff will continue to work with HHS on enforcement.

HHS's Interpretation of MEPA: The MEPA statute itself identifies the cultural, racial, or ethnic background of the child as one of a number of factors that can be considered in the adoption decision, along with the capacity of the prospective parents to meet the child's needs, as long as this does not delay or deny an adoption.

Although some would interpret MEPA to allow a general preference for a family of the same race if that did not delay the adoption, that is not HHS's reading of the law. HHS's guidelines prohibit the use of race as a general criterion in the decision; and prohibit a number of practices that could elevate the importance of race as a factor, such as preferences or time limits. They permit race to be considered only as part of the individualized evaluation of each child, and require a specific showing as to how the consideration of race in the adoption decision would promote that child's interests.

Congressional Interest in the Issue: The House welfare reform bill attempts to prohibit consideration of race under any circumstances, even for any individual child. It would automatically deny federal funding to state agencies that use race as a factor in placing children. However, from a technical perspective HHS believes the language is actually consistent with its current guidelines. In the Senate, it appears that key Republicans have no plan to follow the House's lead because they believe that MEPA and the HHS guidelines are satisfactory.

Former Senator Metzenbaum, MEPA's sponsor, remains interested in this issue. He has just asked HHS for an update on their enforcement efforts.

cc: Leon Panetta
Melanne Verveer
Abner Mikva
Marcia Hale
Pat Griffin

10-19-95

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- (G) **Hasco/Ben-Ami memo on teen pregnancy initiatives.** Brief overview of what we're doing on teen pregnancy: 1) Research and Evaluation - HHS has reviewed the literature and will do a list of all federally funded research; 2) Supporting and Promoting Local Demonstrations - DPC will develop a list of demonstration programs and make information about them more available to the public; 3) Private Sector Initiative - follow up on Oval Office meeting, with hope that a private sector organization can be announced by end of the year; 4) Youth Initiative - DPC, HHS, OMB and others will work on a proposal for a Youth initiative that could be a centerpiece of State of the Union and FY 97 budget; 5) Foster Care/Adoption - DPC will establish working group to consider possible federal action in this area.
- (H) **Ickes/O'Connor memo on Medicare/Medicaid fraud.** Harold/Jennifer forward HHS memo in response to your request. To date, Administration has obtained 579 criminal prosecutions for Medicare/Medicaid fraud -- ~~a 27% increase from the Bush Administration at this date. These prosecutions have netted about \$730 million in funds -- a 484% increase from Bush.~~ HHS says these prosecutions take several years and that the increased recoveries now are in part due to increase in HHS Inspector General staff during Bush Administration. That staff has been reduced from 1151 in FY 91 to 940 in FY 95, though with larger proportion fighting Medicare/Medicaid fraud, absolute number working on this front is probably about same.
- (I) **Ickes note about Jay Mazur request for meeting on immigration.** Mazur, head of UNITE (formed by merger of ILGWU and Amalgamated Clothing Workers) has asked for a meeting with you and a number of labor leaders to discuss immigration legislation. He sees this legislation as blurring distinction between legal and illegal immigration and as an attack on some of our core values. Harold wants to discuss.
- (J) **Ickes memo on meeting with Jesse Jackson.** Harold and Alexis met with Jackson recently for over an hour. He discussed: his son's congressional race (election Nov. 28); Haiti, urging us to send office supplies and garbage trucks to the new mayor of Port-au-Prince; the Million Man March - he stressed recent study about a third of young black men being involved in the criminal justice system and said he has talk with Farrakhan about need for broad-based representation at the march; urban policy, emphasizing the need for a national commission or group to develop a viable urban policy, possibly using pension funds for this purpose. He wants to be involved with the Administration in three areas: developing an urban policy, some sort of diplomatic role (no specifics) and voter registration.

Very
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follow up

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95 OCT 13 09:47

MEMORANDUM TO THE PRESIDENT

Subject: Administration Initiatives on Teen Pregnancy

Overview

We propose to frame the administration's activity in this area as a five-part program:

1. *Research/Evaluation* The federal government has a clear and important role in supporting efforts to learn more about teen pregnancy and its root causes.
2. *Supporting and Promoting Local Demonstrations* The federal government is also uniquely well suited to fund demonstration efforts to determine what works in addressing the problem and to share that information with other communities.
3. *Private Sector Initiative* Addressing teen pregnancy will require, as you have said, a partnership among all sectors of society. We are working to encourage the formation of a private sector campaign/organization to mobilize the private components of a public/private partnership.
4. *Youth Initiative* Addressing teen pregnancy requires strategies to engage youth early and offer them positive alternatives to early parenting and ill-advised sexual behavior. The problems youth face run deeper than the symptoms – such as early child-bearing and substance and alcohol abuse – so the solutions we pursue must be broader as well. With OMB and the relevant agencies, we will develop a proposal for a youth initiative that could be a central element of your FY97 budget and 1996 State of the Union.
5. *Foster Care/Adoption* While not strictly teen pregnancy issues, we will still be looking at proposals in these areas since the failure of those systems is both a cause and effect of the high levels of teenage pregnancy.

Work Plan

The following is a brief status report and a list of next steps in each of these five areas:

Research and Evaluation

Last month, HHS completed an exhaustive review of recent literature on adolescent sexual behavior, pregnancy, and parenthood and on the effectiveness of teen pregnancy prevention programs. In addition, they have taken steps to improve the dissemination of the information by expanding and improving their clearinghouses.

- o Next steps: We will (1) develop a comprehensive listing of all recent research funded by all departments on teen pregnancy and related issues and (2) prepare a comprehensive overview of the agencies' research agenda for the coming year.

Supporting Local Demonstrations

HHS recently made awards in two significant demonstration programs, the Adolescent Family Life Program (\$4.2 million to 15 communities) and the Community Coalition Partnership Program for the Prevention of Teen Pregnancy (\$6.5 million to 13 communities). They have also encouraged communities to adopt innovative strategies in some of their other existing programs.

- o Next Steps: We will (1) develop a comprehensive list of all demonstration programs funded in the past year by all departments; (2) examine whether we can improve the way in which results from programs in all agencies can be made more easily available to communities and better publicized; (3) compile information about all upcoming grants in the coming year and make that information widely available to all communities.

Promoting a Private Sector Initiative

Your October 5th meeting was the culmination of months of groundwork, but also only the first step in making a private sector organization a reality.

- o Next Steps: (1) We will be working with participants in the meeting and others to make the most of the momentum from the meeting and to follow up on the commitments of resources and time that were made. We hope that agreement in principle about forming an organization and an initial structure can be worked out within a couple of months and that an announcement of its intended creation can be made before the end of the year.

(2) Dr. Foster -- As you know, we have worked out for Dr. Henry Foster to join the administration in a part-time role as a Senior Advisor to the President on Teen Pregnancy. We would like to announce his position and put out a comprehensive update on the administration's teen pregnancy initiatives in early November.

Youth Initiative

Secretary Shalala, senior officials at OMB and other Departments, and your Domestic Policy staff are very interested in preparing for your consideration a series of options for a major Youth Initiative that could be a centerpiece of the FY97 budget and the 1996 State of the Union. Truly addressing teen pregnancy requires an effort that goes far beyond dealing with sex education and increasing pressure to defer child-bearing. We must find a way to communicate hope and opportunity to our youth on a broad scale. We realize that this initiative needs to have a creative and exciting new angle to make it newsworthy and must not involve considerable new resources.

- o Next Steps: We will be convening a work group this week to begin developing options for your consideration as part of the budget process.

Foster Care and Adoption

With the pressures on the foster care system increasing and the level of resources available to it decreasing, and with the ongoing need to increase adoption, we will set a group to working on options for further Presidential and federal action in this area as part of our work group on teen pregnancy. We will consider the recommendation to create a Presidential Advisory Commission on the subject as well as other more action-oriented steps.

Conclusion

As you know, a lot of activity has been taking place throughout the administration on these issues. We intend to expand this activity, improve coordination among the various agencies around this issue, and to publicize better what we are and plan to do through a series of events and announcements this fall. By the 1996 State of the Union, we believe you will have a significant track record of achievement to point to in fulfillment of your pledge in the 1995 address.

10-19-95

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Handwritten notes:
 (F) - (G) follow up
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THE WHITE HOUSE
WASHINGTON

95 OCT 13 P2:53

10 October 1995

MEMORANDUM TO THE PRESIDENT

CC: LEON PANETTA
ALEXIS HERMAN

FROM: HAROLD ICKES *HI*

RE: MEETING WITH JESSE JACKSON ON 5 OCTOBER 1995

On 5 October 1995, Alexis and I met with Jesse Jackson for over an hour at the White House. He raised several points, a number of which he discussed with you on the evening of the Congressional Black Caucus several weeks ago.

1. Jesse Jackson, Jr.'s congressional race: He stressed his obvious great interest in that race, the election for which will be held on 28 November.
 2. Haiti: He again urged that the Administration make a real effort to send office supplies to the new mayor of Port-au-Prince as well as garbage trucks. He claims there are no garbage trucks in Port-au-Prince to pick up garbage.
 3. Million Black Man march: He stressed the recent news article, copy of which is attached, sighting a study that a third of black men between the age of 20 and 30 are involved in the criminal justice system. He pointed out that had this finding been made for whites or other groups, a national emergency would have been declared.
- He stressed that he has been talking with Farrakhan about the need to have broad based representation at the march.
4. Urban policy: As he did with you on the evening of the Congressional Black Caucus dinner, he stressed the lack of urban policy and the need to have a national commission or group to focus on developing elements for a viable urban policy that will stimulate investment in the cities. As you know, he is very focused on devising a mechanism to permit the use of a small percentage of pension fund monies for this purpose. He again came back to the fact that a third of young black men being involved in the criminal justice system was unacceptable and was, in fact, a national emergency and had to be dealt with in the

context of an urban policy.

5. His role: He said he wanted to be involved with the Administration next year in three areas: (a) Helping to develop an urban policy; (b) Something to do with diplomatic efforts, although he was not at all specific in this regard; and (c) Voter registration. He said he is going to take between now and the end of this November to think through what he wants to focus on, he made it clear that he wanted to play a leading role in an urban policy commission.