independent contractors don't lose work opportunities from employers afraid that the contractors might have to be covered as "leased employees" in the employer's retirement plan. (Note the NEST would give the independent contractor an alternative way to save for retirement); (iii) Expanded IRAs - raises income threshold on IRAs to $100,000 for married couples, helping many temporary workers who leave jobs before a retirement plan vests; (iv) Multi-employer (union) pension plans - shortens the time for full vesting from 10 to 5 years for employees covered by such plans (unionized employees who change jobs frequently, as in construction industry).

(D)

Tyson memo on Competitiveness Policy Council Report. In its fourth report, released last month, Council agrees with Administration that rising living standards should be a prime policy goal. It sees increased savings leading to increased investment, increased productivity, higher wages and higher living standards. Report contains favorable treatment of several Administration priorities, some good ideas we could support, and a few things we could not support. Favorable treatment: deficit reduction; public investment in education, infrastructure, and research and technology; export promotion and trade liberalization; public education on need for retirement saving; bank underwriting of equity issues for smaller firms. Some good ideas we could support: streamlined regs relating to debt securities for small business; encourage employers to establish pension plans; limitations on the States providing economic incentives to attract business; tax refunds in form of savings bonds or expanded IRAs. Laura will discuss these issues further if you wish.

(E)

Airline industry profits. In response to your note on Sept. 22 Cabinet Report. Airline profits are way up, a huge turnaround from the situation you inherited in January 1993. DOT credits your overall economic policies; your National Commission to Ensure a Strong Airline Industry, for identifying needs; liability relief, boosting manufacturing; numerous "open-skies" bilateral agreements including Canada and nine European nations. DOT attaches a communications plan to publicize this turnaround, and credit the Administration. Plan envisions possible announcement of expected record third quarter profits at White House Conference on Trade and Tourism later this month, domestic travel by Secretary Pena highlighting our aviation accomplishments, international travel to East Asia on a business development mission, airport events to kick off new service to Canada and other media outreach.

(F)

Cisneros memo re Republican work on an urban program. Sec. Cisneros attaches a recent article from *Business Week* entitled "Blacks Voting Republican? If Jack Kemp Has His Way." Kemp, with support of Gingrich, is pushing Republican effort to attract minority voters through alternatives to affirmative action -- tax breaks and regulatory relief for companies interested in investing in inner cities. Henry also attaches a one-page summary of the Michigan "Renaissance Zones" proposal, introduced by Gov. Engler, under which the state designates tax-free zones and forgoes all tax revenues from the zone (residential, commercial and industrial) provided local government does too. Sen. Abraham has introduced companion federal legislation to establish 10 pilot programs in 10 states.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

October 3, 1995 95 OCT 3 P6:37

MEMORANDUM FOR: President Clinton
Vice President Gore

FROM: Henry G. Cisneros

SUBJECT: Republican's Seeking an Urban Program

I have attached for your review a copy of the article, "Blacks Voting Republican? If Jack Kemp Has His Way," from a recent issue of Business Week. The article reveals that the Republican party is looking for ways to draw the minority vote through an alternative to affirmative action -- tax breaks and regulatory relief for companies and individuals interested in investing in America's inner cities.

Also attached is a summary of an effort described to me by Mayor Dennis Archer of Detroit. It is a collaboration between Governor Engler, who will soon sign a state Renaissance Zones law in Michigan, and Senator Abraham, who will be proposing matching Federal provisions.

Attachments

MINORITIES

BLACKS VOTING REPUBLICAN? IF JACK KEMP HAS HIS WAY

He's pushing a minority-friendly agenda in Congress

Jack Kemp isn't running for anything. Except, perhaps, Matchmaker of the Year. The former Housing & Urban Development Secretary is attempting to arrange a marriage between black voters and Republicans at the unlikely altar of affirmative action. At stake, Kemp believes, is nothing less than the future of the GOP and the health of America's inner cities.

Certainly, today's headlines don't point to any romance between African Americans and the GOP. The three leading Republican Presidential candidates are all vowing an end to minority set-asides, hiring quotas, and racially based college admissions.

"MEND IT." But in Congress, it's another story, due in large part to Kemp's prodding and the support of House Speaker Newt Gingrich (R-Ga.). Worried that a sharp reversal of racial set-asides will harm the party's efforts to recruit black voters in 1996, Senate and House Republicans are scrambling to come up with a minority-friendly alternative. Preparing for the post-recess legislative blitz, Republicans are writing bills featuring big tax breaks for companies and individuals willing to invest in inner cities. The legislation will be billed as the GOP's counterpoint to the "mend it, don't end it" White House approach to the federal government's 160 affirmative action programs. Meanwhile, some Republican congressmen are readying a heavyweight lobbying campaign to close the deal.

The Republican package is the brainchild of Kemp, who never misses a chance to celebrate the GOP as the "party of Lincoln." Says Kemp: "Affirmative action has to be replaced by something. Otherwise, we just signal millions of Americans of color that there's no place in the party for them."

The appeal has worked with younger party members. In the Senate, Republicans led by freshman Spencer Abraham (R-Mich.) will wrap some new ideas around a bundle of GOP policy perennials. The result: 100 "enhanced enterprise zones" that would enjoy big tax cuts, reduced regulation, federal help in home buying, and school vouchers. Current tax breaks targeted at inner cities are considered too weak to be effective.

SOLUTION "Affirmative action has to be replaced by something. Otherwise, we just signal millions of Americans of color that there's no place in the party for them" — JACK KEMP

Under the most generous of the proposals, taxpayers could deduct the cost of buying up to $500,000 worth of stock in a company located within a zone. Then, if the stock is held for five years, any profits on the sale would be exempt from federal capital-gains taxes. Businesses within the zone could deduct twice their usual limits for new plant and equipment. Tax credits would offset some construction costs. And federal regulatory agencies could be asked to grant waivers to the projects as long as health and safety are not affected.

The biggest hurdle could be the package's 5-year, $7 billion price tag. Yet Kemp argues that the plan would boost the economy of many cities, cut chronic unemployment, and bolster party strength. "With this kind of approach, a third to 40% of the minority vote could go to Republicans," he says with his typical put-me-in, coach optimism.

Gingrich insists that a package of inner-city development incentives is vintage Republicanism that will appeal to minorities. He promised members to "focus more of our energy on how we design a helping hand" and has asked Representative J.C. Watts Jr. (R-Okla.), one of only two black House GOP members, to draft an alternative to racial preferences. Watts is focusing on school choice and capital formation as the key to developing the inner cities. Banking institutions lending money within an enterprise zone would be exempt from the paperwork requirements of the Community Reinvestment Act. A portion of federal loans and block grants —as much as 25%—would be reserved for the zones.

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But GOP supporters are counting on the wider appeal of tax breaks to business and investors to help move the legislation early next year. Senator Abraham also intends to line up Republican governors and many Democratic mayors for a major lobbying blitz. With GOP Presidential hopefuls hammering away at affirmative action almost on a daily basis, minority voters are going to be demanding GOP alternatives. Kemp claims to have the ready-made answer.

By Paul Magnusson in Washington

PHOTOGRAPH BY ERIK FREELAND/MATRIX

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

October 3, 1995

ASSISTANT SECRETARY FOR
POLICY DEVELOPMENT AND RESEARCH

Renaissance Zones

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

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

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

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

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

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

THE PRESIDENT HAS SEEN
10/10/95

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0000

95 OCT 3 P6:37

October 3, 1995

Leon | VP | Sperling | Tyson
We better go on this
Fritz is a factor —
BC

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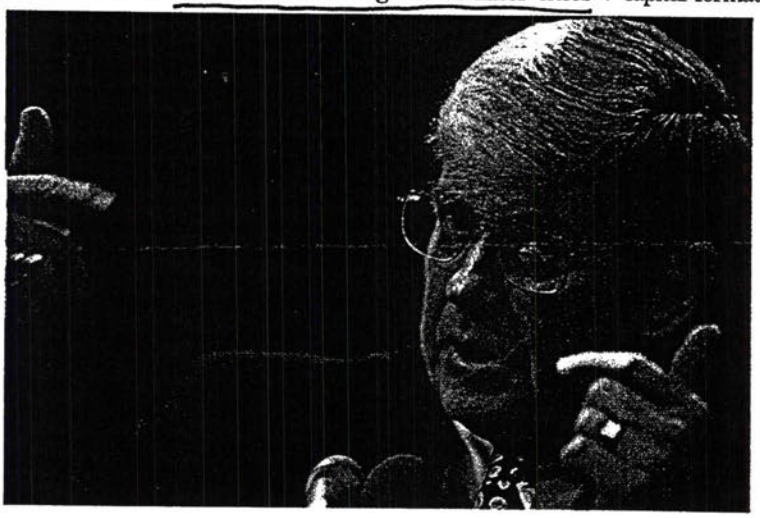

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By Paul Magnusson in Washington

PHOTOGRAPH BY ERIK FREELAND/MATRIX

(G) **John Young letter on PCAST principles.** Young and his colleagues have drafted a set of principles to guide federal decision making with respect to investments in science and technology. The principles reflect PCAST's belief in the importance of preserving stable federal funding for both basic and applied research and strong support for universities, research institutions and national labs. Young notes that the Administration's FY 97 budget request will represent a crucial statement about our investment strategy under the deficit reduction plan.

(H) **Rahm response on federal funding for Gary, Ind. Police Dept.** Notes that Gary received three federal grants to fund 35 officers, while Indiana State Police received over $2 million in COPS AHEAD grants to fund 29 State Troopers. Gary Police Department has been very slow to fill vacancies or deploy additional officers.

(I) **Deutch note on CIA documents released by JFK Assassination Board.** In response to your question. Stresses CIA cooperation with Board and notes CIA has not appealed Board's determinations. Says CIA has released over 200,000 pages of material to the National Archives and that the Board is reviewing the redacted portions of those documents to see if any additional material should be released.

(J) **AFL-CIO Medicare spots.** Harold forwards press release and script for these ads, which ran September 16-24 on CNN and five local Washington stations -- a $250,000 media buy. Part of AFL-CIO's $2.5 million Stand UP for America's Working Families campaign.

(K) **Immigration Clip: "U.S. tries to put residents in jobs held by illegal aliens."** Forwarded by Leon from 9/26 *New York Times*. INS has made more than 4,000 arrests in six southeastern states as it conducts its first major sweep of illegal workers in non-border states. Twenty employers were arrested and 10 others fined up to $10,000 each. Although a good effort, operation only "skimmed surface" as regional INS director estimates there are 100,000 illegals in the region. INS helped 2,400 legal residents replace the vacated jobs.

(L) **USA TODAY clip on threat to pensions from Republican bills.** From Bob Reich. Bills would make it much easier for companies to get their hands on surpluses in pension funds.

95 OCT 12 PM 1:34

THE PRESIDENT HAS SEEN 10-13-95

To the President
from DPS Staff.

w Media' Experts Debate Proposals to Reduce Immigration

By THOMAS J. DUESTERBERG

ressional proposal for strict new limmigration, which critics say would e the ability of high technology com- recruit foreign workers, may not vere barriers to a growing new enter- industry in New York City, econo- business executives said yesterday. ew media" industry has in recent wn out of the dense concentration of ment companies operating out of n lofts and inexpensive offices. Hun- tart-up companies have sprung up to markets for software, interactive grams and other high technology in publishing, television and advertis-

larger, more mature computer com- xecutives say these new media com- ven't recruited many high technology nals from abroad.

companies are so culturally based, I k new immigration rules will make a e," said Gail Kleinberg-Koch, presi- A/S Comsearch, a Manhattan compa- cruits workers for new media compa-

Because companies in the field concentrate on entertainment, she said their workers must combine technical expertise with an intimate knowledge of American popular culture — from Wheel of Fortune to professional wrestling — that few immigrants can offer.

But her view was not shared uniformly.

"That sounds ethnocentric to me," said Daniel Stechow, 32, the founder and president of Brainstorm Interactive, a Manhattan company that makes interactive video products. "What is American culture if not derivative of other cultures?"

Although Mr. Stechow's products, including a video of the Grateful Dead, are now marketed only to United States companies, he said two of his technical executives are immigrants, a computer artist from Japan and a programmer from India. He said he hoped to sponsor both for American citizenship, enabling them to become permanent employees.

But that might run headlong into immigration bills in Congress. Among other changes, they would cut the annual number of immigrants to 535,000 from 800,000 a year, and the annual number who could obtain citizenship for professional reasons to 75,000 from 140,000.

The Congressional proposal may be welcomed by many people in the New York region who have been laid off from large technology companies, including I.B.M. in Westchester County, Grumman on Long Island and Electric Boat in Connecticut.

"There are several categories of high-tech jobs where foreign recruitment would only add to a surplus of workers in the region," said Emmanuel Tobier, a professor of economics and urban planning at New York University and an expert on immigration.

But some new media companies were critical of the Congressional proposals.

"In my case, these rules would mean one less entrepreneur," said Yee Ping Wu, 40, a classical pianist and computer expert who formed Music Pen, a new media company in the Chelsea neighborhood of Manhattan, in 1988. The company makes CD-ROM's and multimedia programs. It employs 600 people.

Ms. Wu immigrated to New York in the 1970's and stayed on, she said, as an illegal alien until she obtained citizenship under the amnesty program of the late 1980's.

"What makes New York interesting is its cultural diversity," she said. If the rules now proposed in Congress had been enacted a decade ago, she added, "I'd be in trouble."

New Tactic Is Tested on Illegal Immigrants

By RONALD SMOTHERS

ATLANTA, Sept. 25 — In the first major sweep of illegal workers in non-border states, Federal immigration officials have made more than 4,000 arrests in the past three months in assembly plants, food processing operations, restaurants and construction sites in six Southeastern states, officials said today.

Still, this first "interior enforcement" effort — as opposed to those on the nation's borders — only skimmed the surface of the problem of illegal immigrant workers in the region, said Thomas P. Fischer, district director of the Immigration and Naturalization Service here. He estimated that the permanent population of illegal workers in the region approached 100,000; they are drawn to the area by the same vibrant economy, jobs and relatively low living costs that attract millions of legal workers every year.

"The illegal-worker problem is no longer a border-state problem only," Mr. Fischer said. "The border states are becoming pass-through areas for immigrants being drawn to jobs in other areas."

In the operation, 20 employers were arrested or investigated for "a willful pattern" of immigration law violations in their hiring, immigration officials said, and 10 others were fined up to $15,000 each. I.N.S. officials did not provide the names of specific businesses today.

After illegal workers were found, the officials helped legal residents get those jobs, the officials said. As a result, some 2,400 legal workers were hired, Mr. Fischer said.

News of the operation caught many advocates for immigrants and immigration reform by surprise.

The U.S. tries to put residents in jobs held by illegal aliens.

They said such raids were discredited tactics in immigration enforcement because they created more fear in the community than deterrence among employers. The Clinton Administration, said Frank Sharry, executive director of the Immigration Forum, had received high marks for stepping up border enforcement and the monitoring of employers, which his group and others contend are more effective tactics.

"After excellent progress and progress greater than the two previous administrations in immigration enforcement, the Clinton Administration seems to be resorting to methods that have long been discredited," Mr. Sharry said. "Do they have a better way of doing this, or are they just trying to get headlines as we head into an election year?"

But the I.N.S. Commissioner, Doris M. Meissner, defended the effort. The raids were not the kind of infamous sweeps in which immigration officials descend upon immigrant neighborhoods and immigrant social events to pick up people randomly, creating fear, she said. The raids were based on solid investigative leads and aimed at businesses that appeared to be willfully violating the law, she added.

"This operation was very carefully put together," Ms. Meissner said, "and we believe that such interior enforcement relieves pressure on the border. We are saying, 'If we find you at the border, we will send you home, and if we find you at the workplace in the interior, we will send you home.' "

Of the six states affected, Georgia had the largest number of illegal immigrants arrested and detained or deported: 1,351. David Poythress, the state's Labor Commissioner, suggested that Georgia had a high number of illegal workers because immigrants come to the state to plant or pick crops and then remain. With the bustling economy of the state, and as it prepares for the 1996 Summer Olympics, many illegal workers have been attracted to the state to fill jobs that American citizens and other legal residents will not fill, he said.

The immigration service began its first sweeps of in June, hitting businesses in Alabama, Arkansas, Florida, Georgia, Mississippi and Tennessee.

In a Chinese restaurant in Jackson, Miss., officials found a 13-year-old Mexican boy working 12 hours a day, seven days a week for $21 a day. In Atlanta, they found illegal immigrants working for $15 an hour as carpenters at construction sites.

"Now there is an African-American, who didn't have a job, working on that construction site, making more than $30,000 a year," Mr. Fischer said.

Mr. Fischer estimated the average wage paid to the illegal workers at $7 an hour. When agency officials factored in the illegal workers who they believe slipped through their net, they projected that they had "redirected to America's workers" about $55 million in gross salaries. The entire cost of the operation was $750,000, Mr. Fischer said.

UNITED STATES DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY

THE PRESIDENT HAS SEEN
10-13-95

95 OCT 6 A11 : 27

To: The President

FYI

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WORKING FOR AMERICA'S WORKFORCE

(2)

COVER STORY

$100 billion in surpluses is at stake

Plan reignites debate over windfalls

▶ Debate, 10A

By Anne Willette
USA TODAY

Retiree Fred Kelso has one word for a House proposal to let companies spend excess money in their pension funds: "Immoral."

Kelso speaks from experience. In 1985, three years after he retired as a research chemical engineer at FMC, the firm took a $720 million surplus from its pension. That ended any hope Kelso had of ever getting a cost-of-living increase. Since retiring, inflation has cut the value of his pension 40%.

"Once they put the money in the pension plan and take a tax deduction for it, it's no longer their money. It's for the retirees. It's in trust," Kelso argues.

In 1990, Congress essentially stopped companies from terminating pension plans to get at surplus money. It imposed a 50% excise tax on money taken from a plan — 20% if the company starts a new retirement plan — on top of income taxes. This month, the House is expected to pass a measure that would eliminate that excise tax for six months, then cut it to 6.5% until 2000. The outlook in the Senate is uncertain.

At stake: surpluses of $100 billion in 22,400 pension plans covering 11 million workers and 2 million retirees. House tax writers predict companies would take $40 billion — twice what they took during the 1980s.

The measure's opponents — led by the Clinton administration, AFL-CIO and American Association of Retired Persons — say the surplus money should be used for cost-of-living raises for retirees or to increase workers' future benefits. Without the surpluses, opponents also fear that companies might reduce future benefits rather than make the huge contributions needed to keep pace with aging baby boomers in their workforce.

Please see COVER STORY next page ▶

(3)

COVER STORY

Companies, retirees square off over pensions

Continued from 1B

Companies are legally bound to pay retirees and workers the benefits they have earned to date. If they can't, the federal Pension Benefit Guaranty Corp. takes over and makes pension payments. But its insurance only covers benefits up to $30,886 a year. That means about 20% of pensioners get significantly less than if their plans had survived.

Whose money is it? That question is at the heart of the debate.

Companies say any money beyond what is needed to pay benefits already earned by workers and retirees belongs to them. They voluntarily set up pension plans, take all the investment risk and must make up any shortfalls. So, they say, they should get the windfalls.

Companies want workers and retirees to trust them. They say they could use surpluses to become more competitive and make jobs more secure.

But for more than 20 years, Congress hasn't trusted companies. The House proposal "is really an about-face," says Howard Golden, of benefits consultant Kwasha Lipton. "Congress has suddenly said it's the employer's money."

"I've watched almost aghast over the last 10 to 12 years as the Congress has put obstacles in front of pension plans," says Rep. Bill Archer, the Texas Republican who chairs the Ways and Means Committee. He says the pension-surplus proposal, approved by the committee last month, would strengthen pensions because companies will be more likely to put money into their plans if they know they can get it out.

But the Clinton administration says the House proposal would expose the pension insurance fund to huge losses that could end in a taxpayer bailout.

"I know, we all know, that most businesses will honor their commitments to their workers. ... These employers will not endanger the funding of their employee pension plans," says Commerce Secretary Ron Brown. But small drops in the stock market or interest rates can dramatically boost a pension plan's liabilities. "A plan that is overfunded today can quickly become underfunded tomorrow," says Labor Secretary Robert Reich.

Twenty companies that took money from pensions in the 1980s have since landed on the government's list of worst underfunded pensions, according to the PBGC.

Companies say that is unfair. Those firms all have many pension plans. The ones from which they took money are not the ones that became underfunded. But PBGC director Martin Slate argues the companies could have used the surplus from one plan to beef up another. They didn't, and that raises questions about their commitment to their pensions, he says.

Pensions become overfunded when investments perform better than expected, companies make big contributions to avoid taxes or the workforce shrinks through layoffs or early retirements.

Under the House proposal, surpluses would be available only to companies that have so much money in their pension plans that they are prohibited from making any more tax-deductible contributions.

But benefits consultants, who set up and run pension plans for companies, admit they're not entirely comfortable with the minimum surplus required by the House bill — 125% or 150% of the amount needed to pay promised benefits, depending on the age of a company's workforce and the number of retirees.

Hefty surpluses

These pension plans had the biggest surpluses during the last reporting period. Companies may have more than one plan:

Company	Funding ratio	Surplus (billions)
Ameritech	170%	$2.5
BellSouth	164%	$2.5
Prudential Ins.	183%	$2.4
Ameritech	159%	$2.1
Pacific Telesis	169%	$1.9
BellSouth	150%	$1.8
State Farm Ins.	194%	$1.7
Northrop	184%	$1.6
GTE Service	194%	$1.5
McDonnell Douglas	154%	$1.4
GTE Products Conn.	243%	$1.3
Kraft General Foods	174%	$1.2
GTE California	245%	$0.9
Florida Power & Light	214%	$0.8
Goodyear	307%	$0.8
Natl Rural Elec Coop	163%	$0.7
Citibank	157%	$0.7
Georgia Power	216%	$0.7
Digital Equipmt. Corp.	203%	$0.7
Sprint	163%	$0.6

Source: Pension Benefit Guaranty Corp., as of 12/31/93

(4)

How to check on your plan

In the 1980s, public protests by retirees stopped a handful of companies from dipping into their pension funds.

Under the current House proposal, companies wouldn't have to tell workers and retirees that they plan to take surplus money. But workers are entitled to know the funding status of their pension plans. And that would indicate whether a company can even think about taking surplus money.

How do you check? Get the plan's most recent financial statement, Form 5500 or Form 5500 C/R. It should be available through the company or through the Department of Labor's Public Disclosure room. Ask for the complete form and all schedules.

Schedule B is the key. It lists assets and liabilities. If assets are greater than liabilities, the plan is overfunded. For a company to be able to spend the surplus under the House proposal, assets must be at least 25% more than liabilities.

More information is available by calling:

▶ The Department of Labor, 202-219-8776, for a free booklet on pension rights.

▶ The Pension Rights Center, 202-326-3779, for books, brochures and referrals to pension lawyers.

—*Anne Willette*

Consultants say a 25% cushion might be plenty for old industries — steel, rubber, autos — with lots of retirees. But a fast-growing high-tech company with young workers and few retirees should have much more. "Most of the people in my business would think 125% is a little thin," says Richard Joss, of benefits consultant Watson Wyatt.

In the 1980s, corporate raiders targeted companies with fat pension plans. After buying the companies, they terminated the pension plans, bought insurance annuities to cover promised benefits and kept the surpluses.

Pension assets were used in two-thirds of the biggest buyouts, according to the Investor Responsibility Research Center. Treasury Secretary Robert Rubin, co-chairman of Goldman Sachs before coming to Washington, predicts the House proposal would once again make pensions a factor in buyouts.

Some companies — including FMC, Union Carbide, Phillips Petroleum and Goodyear Tire & Rubber — terminated their own pension plans and took the surpluses to keep raiders away.

In all, about $20 billion was taken from 2,000 pension plans covering 2.5 million people. Exxon took the most — $1.6 billion in 1986. Spokesman Ed Burwell says only that the money was used for "general corporate purposes."

Sometimes, companies set up new pension plans. But 60% of the time they didn't, says Karen Ferguson, author with Kate Blackwell of *Pensions in Crisis*. Instead, many firms established 401(k) savings plans and told employees to save for themselves.

The House bill would not require companies to terminate their pension plans to get at a surplus. In that respect, it offers workers and retirees more protection than the practice in the 1980s.

Still, Ferguson believes the House proposal is worse because it would give companies explicit permission to tap pension money. She fears companies would be unable to resist pressure from stockholders to take the surpluses.

In the 1980s, companies had to go through a loophole in pension law to get the money. "At least when there was a moral cloud over it, some companies wouldn't do it," says Ferguson, who also is head of the Pension Rights Center.

Beyond the philosophical issues, the proposal is motivated by money. Companies would have to pay income tax on what they take. House tax writers expect almost $10 billion to roll into the Treasury to help cut the federal budget deficit. While that is good for the overall economy, it's small comfort to retirees like Kelso. He fought FMC a decade ago, writing letters to the Internal Revenue Service and testifying before Congress.

"When you're 65 years old and you retire, you've got lots of energy to fight it," says Kelso, 74. "Ten years later you've got less, and 20 years later you may not have any. They count on that."

Contributing: Tammi Wark

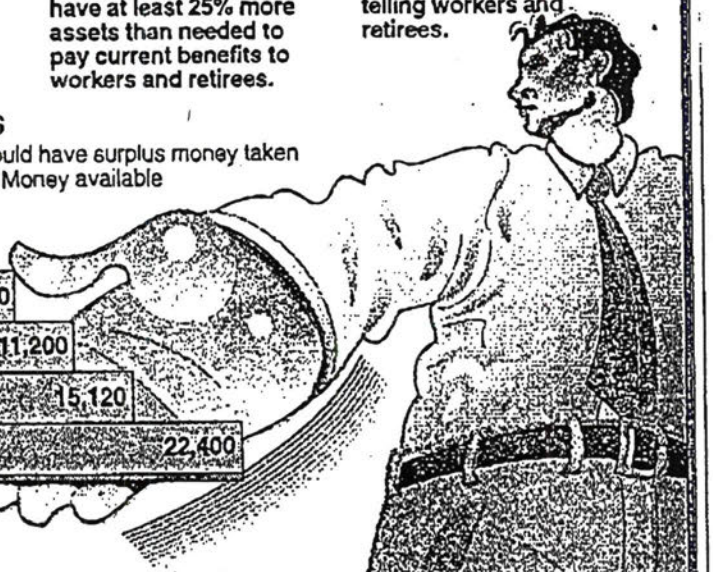
(1)

Tuesday, October 3, 1995 - USA Today

Your retirement under siege

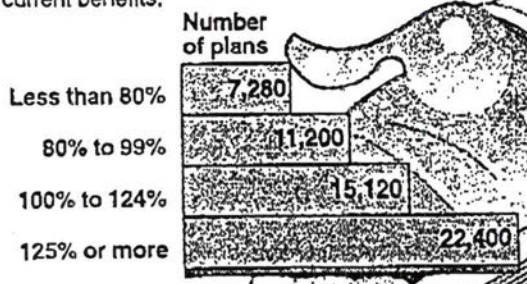
The House this month will consider a proposal to let companies spend surplus pension money any way they wish. The bill would:

- ▶ Eliminate for six months then dramatically reduce the excise tax on money that companies take out of pension plans.
- ▶ Apply to companies whose pension plans have at least 25% more assets than needed to pay current benefits to workers and retirees.
- ▶ Let companies use the money without telling workers and retirees.



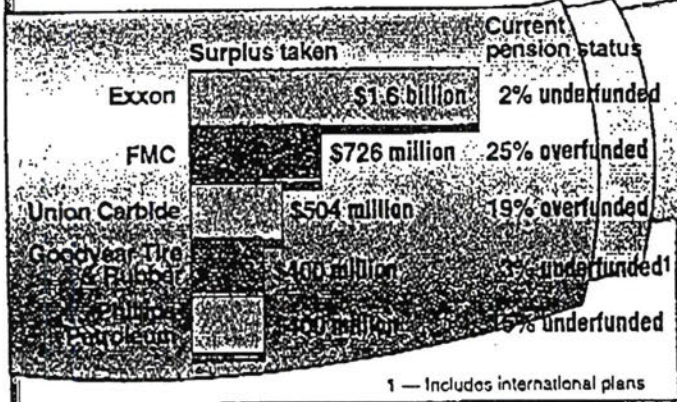
Pension fund war chests

About 40% of pension plans could have surplus money taken out under the House proposal. Money available for current benefits:



Big dippers

Many companies took surplus money from pension plans in the 1980s. These companies took the most:



1 — Includes international plans

Sources: House Ways and Means Committee, Pension Benefit Guaranty Corp., companies listed, USA TODAY research by Tammi Wark

By Marcia Stalmer, USA TODAY

independent contractors don't lose work opportunities from employers afraid that the contractors might have to be covered as "leased employees" in the employer's retirement plan. (Note the NEST would give the independent contractor an alternative way to save for retirement); (iii) Expanded IRAs - raises income threshold on IRAs to $100,000 for married couples, helping many temporary workers who leave jobs before a retirement plan vests; (iv) Multi-employer (union) pension plans - shortens the time for full vesting from 10 to 5 years for employees covered by such plans (unionized employees who change jobs frequently, as in construction industry).

(D) **Tyson memo on Competitiveness Policy Council Report.** In its fourth report, released last month, Council agrees with Administration that rising living standards should be a prime policy goal. It sees increased savings leading to increased investment, increased productivity, higher wages and higher living standards. Report contains favorable treatment of several Administration priorities, some good ideas we could support, and a few things we could not support. Favorable treatment: deficit reduction; public investment in education, infrastructure, and research and technology; export promotion and trade liberalization; public education on need for retirement saving; bank underwriting of equity issues for smaller firms. Some good ideas we could support: streamlined regs relating to debt securities for small business; encourage employers to establish pension plans; limitations on the States providing economic incentives to attract business; tax refunds in form of savings bonds or expanded IRAs. Laura will discuss these issues further if you wish.

(E) **Airline industry profits.** In response to your note on Sept. 22 Cabinet Report. Airline profits are way up, a huge turnaround from the situation you inherited in January 1993. DOT credits your overall economic policies; your National Commission to Ensure a Strong Airline Industry, for identifying needs; liability relief, boosting manufacturing; numerous "open-skies" bilateral agreements including Canada and nine European nations. DOT attaches a communications plan to publicize this turnaround, and credit the Administration. Plan envisions possible announcement of expected record third quarter profits at White House Conference on Trade and Tourism later this month, domestic travel by Secretary Pena highlighting our aviation accomplishments, international travel to East Asia on a business development mission, airport events to kick off new service to Canada and other media outreach.

(F) **Cisneros memo re Republican work on an urban program.** Sec. Cisneros attaches a recent article from *Business Week* entitled "Blacks Voting Republican? If Jack Kemp Has His Way." Kemp, with support of Gingrich, is pushing Republican effort to attract minority voters through alternatives to affirmative action -- tax breaks and regulatory relief for companies interested in investing in inner cities. Henry also attaches a one-page summary of the Michigan "Renaissance Zones" proposal, introduced by Gov. Engler, under which the state designates tax-free zones and forgoes all tax revenues from the zone (residential, commercial and industrial) provided local government does too. Sen. Abraham has introduced companion federal legislation to establish 10 pilot programs in 10 states.

THE PRESIDENT HAS SEEN
10-13-95

THE WHITE HOUSE
WASHINGTON

95 OCT 15 P2:40

October 5, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D'ANDREA TYSON Laura D. Tyson

SUBJECT: COMPETITIVENESS POLICY COUNCIL REPORT

On September 14, the Competitiveness Policy Council released its fourth report to the President and Congress. This year's report is titled "Saving More and Investing Better: A Strategy for Securing Prosperity". You asked me for a brief analysis of their report.

In general, the Council agrees with the Administration that a rising standard living for all Americans is a prime policy goal. The Council believes that there are important linkages between savings and an increased standard of living, expressed as follows:

> Increased saving leads to increased investment leading to increased productivity leading to increased wages leading to increased living standards.

Economists may dispute the strength of all these linkages, but this approach is generally accepted on Wall Street.

The report contains favorable treatment of several Administration priorities, some good policy ideas the Administration could support, and a few proposals the Administration probably could not support.

In addition to the Council's main report, a background paper written by the Capital Allocation Subcouncil (chaired by Robert Denham and Michael Porter) was also released. This paper, "Lifting All Boats: Increasing the Payoff from Investment in the U.S. Economy," contains many recommendations not included in the larger report. These recommendations are not discussed here.

<u>Administration Policies Supported by the Council</u>

- Importance of reducing the Federal budget deficit without cutting into public investments.

- Emphasis placed on public investments in education, infrastructure, and research and technology. The Council is very supportive of Goals 2000, the R&E tax credit, and technology programs such as the Manufacturing Extension Program.

- Export promotion activities and trade liberalization.

- Increased public education on the need for retirement saving. (Already being undertaken by Labor and Treasury.)

- Bank underwriting of equity issues for smaller firms. (Reforms to Glass-Steagall laws the Administration has supported.)

Specific Council Proposals the Administration Could Support

- Streamlined regulations relating to debt securities backed by loans to small businesses and an increase in the small issue exemption from securities registration.

- Encourage employers to establish pension plans for their workers. (The Council proposal is similar to the Administration's pension simplification plan, but without the one-percent-of-pay employer contribution the Administration has required to ensure broad coverage.)

- Possible support for limitations on State provision of economic incentives to attract firms (a form of "race to the bottom" where States compete by reducing taxes on business).

- Possible support for proposals to pay tax refunds in the form of savings bonds (or a similar instrument) or to expand IRAs (where an IRA deduction would be allowed only for contributed amounts in excess of a threshold, which would be based on income). A final determination would require additional information.

Specific Council Proposals the Administration Could Not Support

- Reduce $1 million cap on home mortgages eligible for tax deduction and eliminate deduction for home equity loans.

- Relax pension funding rules without guarantee of increased coverage for lower-income workers.

- Sliding-scale capital gains preference that is not better targeted to (1) firms that have difficulty in raising equity capital; (2) middle income taxpayers.

- Restructuring attorneys' fees to make shareholder suits less costly to business (potentially reducing access for injured parties).

- Provide dividend recipients with a tax credit for imputed corporate taxes paid. (This proposal would begin to meld the corporate and individual income tax systems. It is based on the idea that corporate income is "taxed twice" -- a red herring.)

Please let me know if you would like to discuss these issues further.

independent contractors don't lose work opportunities from employers afraid that the contractors might have to be covered as "leased employees" in the employer's retirement plan. (Note the NEST would give the independent contractor an alternative way to save for retirement); (iii) Expanded IRAs - raises income threshold on IRAs to $100,000 for married couples, helping many temporary workers who leave jobs before a retirement plan vests; (iv) Multi-employer (union) pension plans - shortens the time for full vesting from 10 to 5 years for employees covered by such plans (unionized employees who change jobs frequently, as in construction industry).

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THE PRESIDENT HAS SEEN
10-13-95

Department of Transportation
Office of Public Affairs
Airline Industry Communications Plan
September, 1995

Introduction

From 1990 to 1992, the American commercial aviation industry suffered its worst financial period: $10.9 billion in net losses [$4.6 billion in 1992 alone], airlines failures [Pan Am, Eastern] and bankruptcy filings [America West, Continental and TWA]. Additionally, aircraft building, both commercial and general, was in a slump.

Entering office, President Clinton, Transportation Secretary Peña and FAA Administrator David Hinson made a commitment to improving the commercial aviation industry.

Within 90 days of his February, 1993 visit to the Boeing manufacturing facility in Everett, Washington, President Clinton proposed and received congressional authorization for a National Commission to Ensure a Strong Competitive Airline Industry. The commission announced its recommendations in August, 1993, followed by the Administration's Aviation Initiative in January, 1994.

In nearly two years, much progress has been accomplished on the initiative's five goals: revitalize domestic aviation, bolster international trade and competition, promote airport development and growth, enhance safety and consumer benefits and integrate aviation into the National Transportation System.

Perhaps most importantly, Clinton Administration economic policies have provided a revitalized domestic economy, especially for the airline industry. In the second quarter of 1995, all 11 major U.S. airlines reported both operating and net profits -- total earnings of $1.1 billion. Four of these carriers -- American West, Delta [$250 million], Southwest and USAir reported all-time high quarterly earnings. Today, no domestic airline is in bankruptcy.

As another indicator of the industry's increasingly healthy status, since 1992, the DOT has certified 30 new jet airlines for domestic operations, in turn creating new jobs and driving down ticket prices for consumers through increased competition. The DOT has actively intervened to halt predatory pricing practices against these new-entrant carriers, ensuring the stability of the marketplace.

General aviation manufacturing was in a steep decline until 1994 when the President signed the General Aviation Revitalization Act, limiting the number of years in which manufacturers are liable for aircraft. This resulted in the immediate ground-breaking of a new

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facility for Cessna Aircraft in Independence, Kansas and the latest decision by Piper Aircraft to construct a plant in Florida. These new facilities are expected to create thousands of new manufacturing jobs.

In the area of regulatory reform, the FAA has worked with international bodies to harmonize requirements for aircraft certification to ensure standardization for domestic manufacturers. Additionally, the agency last year initiated a regulatory review resulting in substantial reforms.

Finally, the DOT has successfully fought to open up new markets for U.S. international carriers. Since signing of the new U.S. - Canadian bi-lateral agreement earlier this year, air travel between our nations has increased 25%, and in two years, "open skies" will enable any carrier to service any transborder combination of cities. Similar open skies bilateral agreements have been signed this year with nine European nations, and liberalization talks are continuing with a number of nations, including the United Kingdom, Japan and Hong Kong.

Aviation remains one of the nation's most important industries, employing over 570,000 workers at domestic and international airlines in the United States. Effective communication of the Administration's accomplishments in this area is critical.

Message

The key Administration message points on the revitalization of the nation's aviation industry are:

- Two years ago, President Clinton pledged to help revitalize the U.S. airline industry, and he has delivered on that promise.

- The Clinton Administration's economic policies have ensured a stable economy in which new entrant carriers can compete and established carriers can grow. [deficit reduction, lowest inflation rate since the Kennedy Administration, stable interest rates].

- The President's National Commission to Ensure a Strong Airline Industry helped identify industry needs and enable the Secretary of Transportation to act on them.

- The Secretary of Transportation's Aviation Initiatives have successfully helped to strengthen the financial status of commercial aviation.

- Reform of regulations and liability relief have helped both commercial airlines and aircraft manufacturing.

SEP 28 '95 05:46PM DOT/OST PUBLIC AFF. P.3/6

- Thirty new entrant carriers have begun operations since 1992.

- During the past 10 quarters, [since Jan. '93] net profits for the commercial aviation industry are $891 million, compared to $10.9 billion in losses for the previous three years.

- Airlines earned $1.1 billion for the last quarter, including record profits for four carriers.

- Numerous key "open skies" bi-lateral aviation agreements, including Canada and nine European nations, will ensure continued international growth for the industry.

Activities for Message Delivery

A number of activities have been undertaken or are currently in the planning stages to communicate the Administration's message:

- Possible POTUS/VPOTUS/Secretarial event: At the White House Conference on Trade and Tourism later next month, announce the third quarter airline earnings, anticipated to break all existing records.

- October: Secretary Peña will highlight the administration's aviation accomplishments at airport events scheduled for Dallas and Denver. Additional events for the Secretary and other DOT officials are currently in the planning stages.

- November: Secretary Peña will visit nine East Asian nations to support U.S. airline and airport equipment sales. It is also anticipated that bi-lateral aviation agreements will be signed.

- Additional signings for international aviation agreements.

- Announcements of major U.S. aerospace industry contracts.

- DOT forum / follow-up on National Commission recommendations and update the industry's health.

- Airport events to kick-off new service to Canada and other international destinations.

- General aviation manufacturing - follow-up report on U.S. manufacturers sales and job creation following new law signed by POTUS limiting liability.

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Media Outreach

In addition to scheduling public events like those outlined above, a number of other measures are and will be undertaken to further the Administration's message:

- Publications: The DOT will continue to publish its quarterly report on aviation earnings.

- Publications: "Aviation Accomplishments of the Clinton Administration" published in September, is being updated for a late November re-rollout for end-of-the-year interviews.

- Selected interviews: A series of post-Thanksgiving end-of-the-year interviews will highlight these accomplishments. Outlets will include the Washington Post, New York Times, USA Today, Wall Street Journal and other national news media.

- Op-Eds in key national publications as events warrant.

- Editorial Board meetings. During the Secretary's regularly scheduled editorial board meetings around the country, these accomplishments will be highlighted.

- Outreach by FAA Administrator Hinson and Deputy Administrator Daschle and other key department officials. Effective scheduling of sub-cabinet officials is critical to disseminating the Administration's message.

Third-Party Message Support

It should be noted that the number one priority issue for the airlines and the Airline Transportation Association is continuance of the aviation fuel tax exemption, scheduled to expire September 30. Two years ago, airlines were exempted on the basis of their dire financial shape. The Administration's position is that the airlines are healthy and the exemption should now be lifted. Under these circumstances, it is necessary to combat the airlines reluctance to give credit to the administration with other measures.

- Encourage local support through cities and civic associations. Among them, groups like Airports Council International have been instrumental in carrying the administration's message.

- Aviation analysts: given current, up to date information about the administration's activities, they can be helpful in validating the administration's efforts.

- Governor Baliles: As Chairman of the National Commission, he can also validate the

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measures the administration has undertaken.

Conclusion

The revitalization of the American airline industry and aircraft manufacturing is clearly one of the Administration's greatest accomplishments in transportation. Airlines have undergone a fundamental restructuring during the past three years of steady economic growth which will enable them to successfully compete in domestic and international markets. It is vital that the Administration's role in this success story be fully and effectively communicated at every opportunity.

P.6/6

(G) **John Young letter on PCAST principles.** Young and his colleagues have drafted a set of principles to guide federal decision making with respect to investments in science and technology. The principles reflect PCAST's belief in the importance of preserving stable federal funding for both basic and applied research and strong support for universities, research institutions and national labs. Young notes that the Administration's FY 97 budget request will represent a crucial statement about our investment strategy under the deficit reduction plan.

(H) **Rahm response on federal funding for Gary, Ind. Police Dept.** Notes that Gary received three federal grants to fund 35 officers, while Indiana State Police received over $2 million in COPS AHEAD grants to fund 29 State Troopers. Gary Police Department has been very slow to fill vacancies or deploy additional officers.

(I) **Deutch note on CIA documents released by JFK Assassination Board.** In response to your question. Stresses CIA cooperation with Board and notes CIA has not appealed Board's determinations. Says CIA has released over 200,000 pages of material to the National Archives and that the Board is reviewing the redacted portions of those documents to see if any additional material should be released.

(J) **AFL-CIO Medicare spots.** Harold forwards press release and script for these ads, which ran September 16-24 on CNN and five local Washington stations -- a $250,000 media buy. Part of AFL-CIO's $2.5 million Stand UP for America's Working Families campaign.

(K) **Immigration Clip: "U.S. tries to put residents in jobs held by illegal aliens."** Forwarded by Leon from 9/26 *New York Times*. INS has made more than 4,000 arrests in six southeastern states as it conducts its first major sweep of illegal workers in non-border states. Twenty employers were arrested and 10 others fined up to $10,000 each. Although a good effort, operation only "skimmed surface" as regional INS director estimates there are 100,000 illegals in the region. INS helped 2,400 legal residents replace the vacated jobs.

(L) **USA TODAY clip on threat to pensions from Republican bills.** From Bob Reich. Bills would make it much easier for companies to get their hands on surpluses in pension funds.

THE PRESIDENT HAS SEEN
10-13-95

THE WHITE HOUSE

WASHINGTON

95 OCT 5 P7:17

October 5, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: RAHM EMANUEL

SUBJECT: GARY, INDIANA

Pursuant to your request, I am attaching information on the status of Federal funding to the Gary Police Department, and what the COPS Office will do to respond to the recent developments. It should be noted that while the Gary Police Department was granted three Federal grants to fund a total of 35 officers, the Indiana State Police also received $2,175,000 in COPS AHEAD grants to fund 29 additional State Troopers.

As of July, 1995 the Gary Police Department employed 250 sworn officers, operating above its 1995 authorized level of 245 sworn officers.

As you can see at the bottom of the attached page, the COPS Office is exploring options to supplement the Gary Police Department after the departure of the State Troopers in 30 days.

Federal Assistance to Gary, Indiana

The Gary Police Department has been the recipient of three separate Federal police hiring grants, totalling 35 additional officers within the last two years. They have been exceedingly slow to fill vacancies and to deploy these additional officers, which we have learned was a factor in the decision to send state troopers to Gary. The department has not requested any additional funding under our Universal Hiring Program.

Comprehensive Communities Program — $2,093,000 total
$800,000 for **19 officers**
$200,000 for 10 vehicles

*10 officers were hired two weeks ago and will soon enter academy. The department is still recruiting the others.

Police Hiring Supplement — $749,982 for **10 officers**

*All 10 were hired, trained and deployed by March, 1995.

COPS AHEAD — $450,000 for **6 officers**

*The Department plans to hire them in October, 1995. The officers must then complete 12 weeks of Academy training and 12 weeks of field training.

MORE — Requested $1.59 million

*They requested money to hire civilians, pay overtime and purchase equipment. They also requested a waiver waiver of the local match. Probes need to be undertaken because of apparent supplanting issues.

Federal Funding to Indiana State Police

COPS AHEAD — $2,175,000 for 29 State Troopers.

Response from the DOJ COPS Office

1. The COPS Office will expedite the MORE grant award, and will determine if the State of Indiana is willing to provide the COPS MORE local match on behalf of the Gary Police Dept.

2. The COPS Office will contact the Gary Police Department to find out why they haven't applied for funding under the Universal Hiring Program and encourage them to do so.

3. The COPS Office will provide training and technical assistance through the Consortium or have BJA provide it through its contract with the Criminal Justice Associates.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
10-13-95

10 Oct 95

President Clinton

Sir - Reference your inquiry about MG Foley, I have attached his Medal of Honor citation. I thought you might find this interesting reading.

Very Respectfully,
Major Mike Mudd
US Army

Sandy
Exf - The Army
Commander of DC
Airlines

Bx

the highest traditions of the U.S. Air Force and reflect great credit upon himself and the Armed Forces of his country.

FOLEY, ROBERT F.

Rank and organization: Captain, U.S. Army, Company A, 2d Battalion, 27th Infantry, 25th Infantry Division. *Place and date:* Near Quan Dau Tieng, Republic of Vietnam, 5 November 1966. *Entered service at:* Newton, Mass. *Born:* 30 May 1941, Newton, Mass. *Citation:* For conspicuous gallantry and intrepidity in action at the risk of his life above and beyond the call of duty. Capt. Foley's company was ordered to extricate another company of the battalion. Moving through the dense jungle to aid the besieged unit, Company A encountered a strong enemy force occupying well concealed, defensive positions, and the company's leading element quickly sustained several casualties. Capt. Foley immediately ran forward to the scene of the most intense action to direct the company's efforts. Deploying 1 platoon on the flank, he led the other 2 platoons in an attack on the enemy in the face of intense fire. During this action both radio operators accompanying him were wounded. At grave risk to himself he defied the enemy's murderous fire, and helped the wounded operators to a position where they could receive medical care. As he moved forward again 1 of his machinegun crews was wounded. Seizing the weapon, he charged forward firing the machinegun, shouting orders and rallying his men, thus maintaining the momentum of the attack. Under increasingly heavy enemy fire he ordered his assistant to take cover and, alone, Capt. Foley continued to advance firing the machinegun until the wounded had been evacuated and the attack in this area could be resumed. When movement on the other flank was halted by the enemy's fanatical defense, Capt. Foley moved to personally direct this critical phase of the battle. Leading the renewed effort he was blown off his feet and wounded by an enemy grenade. Despite his painful wounds he refused medical aid and perservered in the forefront of the attack on the enemy redoubt. He led the assault on several enemy gun emplacements and, singlehandedly, destroyed 3 such positions. His outstanding personal leadership under intense enemy fire during the fierce battle which lasted for several hours, inspired his men to heroic efforts and was instrumental in the ultimate success of the operation. Capt. Foley's magnificent courage, selfless concern for his men and professional skill reflect the utmost credit upon himself and the U.S. Army.

FOLLAND, MICHAEL FLEMING

Rank and organization: Corporal, U.S. Army, Company D, 2d Battalion, 3d Infantry, 199th Infantry Brigade. *Place and date:* Long Khanh, Providence, Republic of Vietnam, 3 July 1969. *Entered service at:* Richmond, Va. *Born:* 15 April 1949, Richmond, Va. *Citation:* For conspicuous gallantry and intrepidity in action at the risk of his life above and beyond the call of duty. Cpl. Folland distinguished himself while serving as an ammunition bearer with the weapons platoon of Company D, during a reconnaissance patrol mission. As the patrol was

J. STIGLITZ

95 OCT 6 A9:

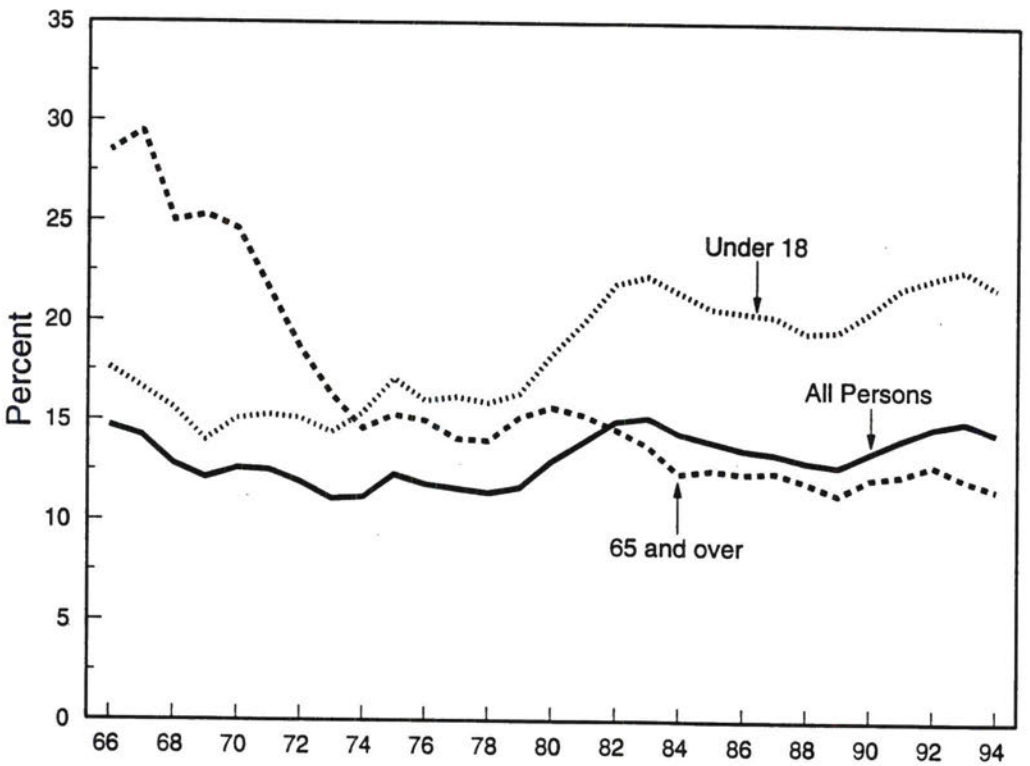
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

October 6, 1995

CHART OF THE WEEK

Poverty Rates in the United States



The poverty rate fell from 15.1 percent to 14.5 percent between 1993 and 1994. This was the first decrease since 1989. The largest drop in poverty was for African Americans, whose real median household income grew by 5.0 percent, compared to 0.7 percent for whites. A Current Development in this issue of the Weekly Briefing discusses the latest data on poverty.

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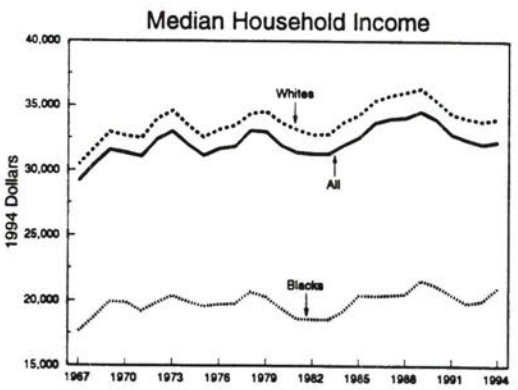
CURRENT DEVELOPMENT

Good News on the Poverty Front

A Commerce Department report this week showed that the portion of the population living in poverty dropped from 15.1 percent to 14.5 percent between 1993 and 1994. This was the first decline since 1989, and meant that 1.2 million fewer people were living in poverty. The poverty rate for children under 18, which still remains higher than that in any developed country, dropped from 22.7 percent to 21.8 percent.

There also were some encouraging signs for African Americans. The poverty rate for blacks dropped from 33.1 percent to 30.6 percent. The real median income of black households was up 5.0 percent, compared to an increase of 0.7 percent for white households. Further, the tragically high poverty rate for black children fell from 46.1 percent to 43.8 percent.

Incomes remain stagnant. While the poverty rate improved, real median household income remained stagnant at $32,264 in 1994, compared to $32,041 in 1993 (see chart). Moreover, the trend toward inequality continued, albeit at a slow pace. The bottom quintile held its own, while the middle continued to lose income share to the top 20 percent—a pattern similar to recent years.



Finally, although the "official" definition of poverty includes only money income, the report also presents a more comprehensive measure that reflects Federal taxes and non-cash transfers. Like other poverty figures, this more comprehensive poverty rate declined in 1994 to 12.4 percent from 13.1 percent in 1993. Unfortunately, if the extensive cuts aimed at the low-income population are enacted by Congress, we should expect to see an increase in this comprehensive poverty rate in the future.

SPECIAL ANALYSIS

The Short-Run Macroeconomic Effects of Deficit Reduction

The deficit reduction package that ultimately emerges from the budget reconciliation process is likely, by itself, to restrain economic growth for the next several years. The estimate of fiscal restraint associated with the Budget Resolution passed by Congress is roughly $41 billion for FY 1996 and $79 billion for FY 1997—a bit higher than the estimated first 2 years of fiscal restraint due to the Omnibus Budget Reconciliation Act of 1993.

Can a short-run reduction in growth be avoided? The path to a balanced budget involves cuts in numerous government programs that will directly reduce spending in the economy. The direct reduction in spending, in turn, will lower the incomes of people dependent on government programs, thereby inducing a further reduction in spending. Under these circumstances, growth in GDP can be maintained only if real interest rates decline.

A deficit reduction package should lead to a decline in real interest rates, as the expected drop in government borrowing eases pressures on credit markets. Whether real rates would fall by enough on their own to keep GDP growth from falling is less certain. The Congressional Budget Office recently reported that real interest rates would probably have to decline between 1 and 2 percentage points to approximately offset the restraint on growth from reducing the deficit. Some of this decline may have occurred already in long-term rates as market participants anticipate the gains from balancing the budget.

For a sustained decline in real rates of 1 to 2 percentage points, financial markets would likely want a commitment by the Federal Reserve to "accommodate" the fiscal restraint. It is reasonable to expect that the Fed would ease credit conditions if economic growth were slowed by fiscal restraint. The Fed has said as much. For instance, in his testimony on September 22 before the Senate Banking Committee, Fed Chairman Alan Greenspan said, "Clearly, the Federal Reserve, in appraising evolving developments, will continue to take the likely effects of fiscal policy into account." Of course, it may be a process of trial and error before financial markets and the Fed get interest rates at exactly the appropriate settings.

How would deficit reduction affect the composition of output? With a decline in real interest rates, the shares of investment (including housing construction) and net exports in GDP likely would increase. Estimates suggest that roughly two-thirds of the reduction in the budget deficit would show up in an increase in net exports and one-third in increased investment. Overall, the shift toward a smaller current account deficit and more investment would represent a marked improvement from the record of the 1980s, during which a consumption boom was paid for by crowding out investment and borrowing massively from abroad.

SPECIAL ANALYSIS

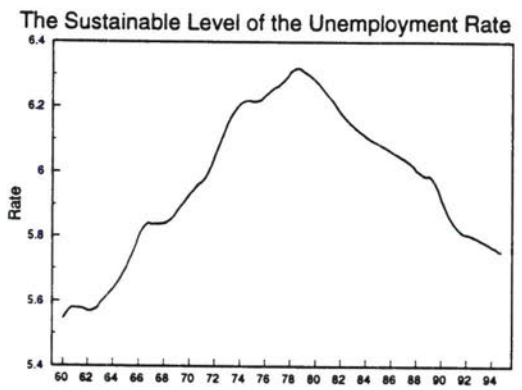
Has the Sustainable Level of Unemployment Fallen?

A debate is now underway over whether unemployment in the United States can be pushed below its current level without additional inflation. This is an important issue in the current discussion about whether the U.S. economy can grow faster (see Article in this issue of the Weekly Economic Briefing).

Some observers have argued that the minimum sustainable unemployment rate—the so-called NAIRU—has declined recently. If so, this leaves room for a drop in unemployment without sparking an inflationary spiral.

The sustainable rate has varied over time. The sustainable unemployment rate, as estimated by the Congressional Budget Office, has varied over the last three decades (see chart). This variation is the result of changes in labor market conditions and changes in the relationship between wages and prices.

Changes in labor market conditions. In the 1970s, the increased share of new entrants (women) and young people in the work force probably led to a higher sustainable unemployment rate. This is because new entrants and young people are more likely to move from job to job, and thus may more frequently be unemployed. More recently, the falling share of teenage entrants can account for much of the decline in the sustainable rate in the early 1990s. This trend, however, likely will not continue since the share of teenagers is expected to increase over the next 5 years.



Changes in the relationship between wages and prices. During the 1970s, the drop in productivity took the nation by surprise. Some workers continued to demand and employers continued to pay real wage increases of 3 percent, even though productivity had dropped to 1 percent. To cover these costs, employers had to raise prices faster than they otherwise would have. As a result, the inflation rate associated with a given unemployment rate was higher than it would have been had productivity growth not slowed.

Why might the sustainable rate be falling now? Many explanations have been circulating recently as to why the sustainable rate of unemployment may have fallen during the past several years. These explanations focus on structural changes in the U.S. economy that may have restrained increases in wages and prices. For example, deregulation, computerized production-management

techniques, increased international competition, a decline in the influence of labor unions, and increased job insecurity have all been given as reasons why wage and price pressures at current levels of unemployment have been restrained.

Sorting out the evidence. Given low rates of unemployment, the last couple of years have seen less upward pressure on wages and benefits than would be expected. Much of this slower growth in compensation has been due to slower growth in health care expenses, as firms have made vigorous efforts to rein in health costs. As a result of the slower growth in compensation, price inflation is a bit lower than what would have been expected at current unemployment rates. Hence, evidence to date is not inconsistent with a small downward shift in the sustainable level of the unemployment rate of about 0.1 to 0.2 percentage points.

ARTICLE

Can the U.S. Economy Grow Faster?

Some observers claim that the U.S. economy is capable of more rapid sustained economic growth without additional inflation, faster than the 2.5 percent growth rate projected in the Administration's budget forecast. Based on meetings with experts both inside and outside the Administration, we have reached a preliminary conclusion that for budget purposes existing data provide no support for projecting GDP growth greater than 2.5 percent.

The Administration's proposed growth-enhancing policies—including those concerning education, research, technology, and balancing the budget—are likely to have positive effects on growth over the long run, but given our commitments to credible forecasting, such benefits cannot be counted on in the near term. This article looks at the basis for the view that the economy can grow faster than 2.5 percent, and why we think these arguments in favor of more rapid U.S. growth are often misleading.

Short-Term Growth. In the short run, the major determinant of the economy's growth potential is whether it has excess capacity. If the economy starts out with slack (where real GDP is well below potential GDP), then it can grow rapidly without generating inflationary pressure. For example, one commentator lauded the record of growth from 1982-88. But the reason for rapid growth over this period was that the economy was in deep recession in 1982. Likewise, in 1993-94 we got a growth bonus with the recovery from the mild recession of 1990-91. But, today, the U.S. economy is close to capacity, so there is little possibility for a further bonus.

Is the U.S. Economy at Full Capacity? In our most recent budget forecast we assumed that economic slack had been eliminated by the end of 1994. However, because inflation has been surprisingly low and stable recently, it is possible some slack yet remains so that the economy could operate at lower levels of unemployment.

This possibility raises the following question: how much extra growth can we get in the short run if the economy has more slack than we thought? If unemployment were brought down from the current rate of 5.6 percent to 5.1 percent over the next year, this would add about an extra 1 percent to GDP growth for 1 year. If lower unemployment could be sustained, the level of GDP would be higher indefinitely. The increment to growth would be temporary, however, a point that is often missed in popular discussions. Moreover, given the Fed's concerns about inflation, it is unlikely that they would allow the economy to move to 5.1 percent unemployment in 1 year. Given this, our best estimate still is that the economy is currently operating at close to full capacity.

Why not higher sustained growth? Some critics of the Administration, and some supporters too, have pointed to much higher growth in the 1950s and 1960s and asked: if the economy could grow fast then, why not now? The reason has to do with a slowdown in the components that contribute to economic growth: productivity growth and labor force growth. This has had the effect of slowing potential GDP growth.

Slower productivity growth. The slowing of potential GDP growth is mostly due to slower productivity growth. Output per hour grew at 2 to 3 percent a year after World War II. But since 1973, it has grown about 1 percent a year. Economists have suggested many reasons for the slowdown in productivity—demographics, slower investment, less research and development, and more regulation. They have, however, reached no consensus about which are most important.

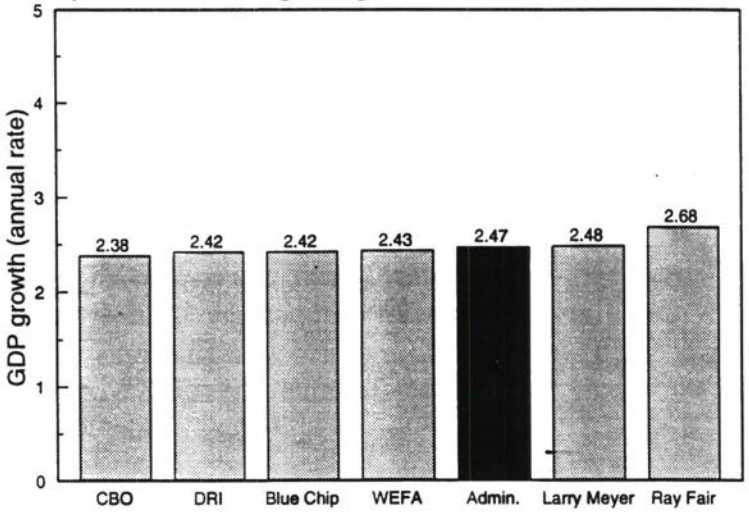
Many business people—especially those in manufacturing—are skeptical that U.S. productivity growth has slowed, and believe the U.S. economy can grow much faster than 2.5 percent. Indeed, productivity growth in U.S. manufacturing has remained rapid, but manufacturing is only 20 percent of the economy. Moreover, companies that have increased their productivity by laying off their least productive workers often ignore the fact that these workers may lower productivity at the jobs they move to. As for other sectors, such as services, economists have long been concerned about productivity growth and recognize the difficulties in measuring that productivity growth. More general problems with measuring productivity are discussed in the box on the next page.

Slower labor force growth. A smaller contributor to the slowdown in potential GDP growth is the decline in growth rate of total hours worked. Even when productivity growth slowed in the 1970s, real GDP growth was partially sustained by rapid increases in labor force participation. This came from the entry of the baby-boomers and women into the workforce. In the last few years, these demographic changes have been running their course.

Our assessment is that long-run growth of 2.5 percent is the potential for the U.S. economy. As the chart on the next page shows, our forecast of long-run growth is in line with that of other forecasters.

Conclusion. We are still evaluating the growth issue. We will be meeting with proponents of the high potential-growth view to exchange ideas. At this stage, however, our assessment is that there is no basis to raise the projection of the growth rate above that in our budget forecast, especially since the forecast must be based on the most credible evidence. This does not mean we should be content with slow growth. The Administration should continue to pursue pro-growth policies, such as investment in education and technology, and we have reason to be optimistic about their long-term impact.

Comparison of Long-range Forecasts of Real GDP



Measurement Issues

As difficult as it is to gauge the economy's true prospects for economic growth, matters are exacerbated by measurement problems. For instance, in some sectors of the economy, productivity is growing, but deficiencies in measuring the impact of new goods and services may understate growth in other sectors. For example, the "quality" measurement problems which bias the consumer price index upwards have an analogous effect in biasing downward estimates of GDP and productivity growth.

The adoption in December of chain-weighted GDP will remove a bias that currently overstates GDP growth. Current-price weights will replace out-of-date ones—a recalibration that will lower the projected growth of potential output to 2.0 percent from 2.5 percent per year. The primary reason is the more accurate but smaller weight given to business investment in computers. Changes in our statistical measures, of course, do not alter what is really going on in the economy, and fortunately, these changes should have little impact on our projection of the budget deficit.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Fed Minutes Suggest Intent to Ease in Event of Fiscal Restraint. Minutes released from the August 22 meeting of the Federal Open Market Committee indicate that they see Federal budget developments as the major factor likely to affect economic performance in the near term. While the minutes cited the potential drag on the economy from reducing the deficit, participants noted that economic conditions also would play a part in shaping future Fed policy decisions. At this time, the FOMC finds economic conditions to be generally favorable and has not changed interest rate policy since it cut rates in early July. But, according to the minutes, members generally believed that adjusting the Committee's policy stance might be warranted if substantial fiscal restraint were to be enacted.

European Union Reaffirms Move to Single Currency. Last week European central bankers and finance ministers agreed that the EU should not postpone monetary integration from its scheduled date of January 1, 1999. Despite deep public skepticism in some member nations, participants insisted the single-currency process was fully on track. They emphasized that the economic situation was encouraging and progress was being made with convergence in deficits and inflation, despite the arguments of some member states for a delay of a year or two. Participants in the meeting agreed that aspiring members of the currency bloc would have to meet a series of "strict" criteria on deficits, inflation, and interest rates. One possible outcome is that monetary union will be formed initially by "hard core" states (like Germany), while countries (like Italy) unable to meet such requirements would join in later rounds of membership. Of particular concern is France's ability to meet the membership qualifications due to its large budget deficit. Moreover, only Germany and Luxembourg currently meet all of the criteria for integration.

IMF Growth Projections Shows Solid European Picture, Bad News for Japan. The International Monetary Fund has released its latest World Economic Outlook, which includes forecasts of output growth around the world. According to the report, relatively strong growth now is forecast for the European Union: the report projects growth of 2.9 percent for 1995 and 2.8 percent for 1996. These predictions are reductions, respectively, of 0.3 and 0.2 percentage points from the IMF's May projections. The most serious deterioration in economic performance and prospects among industrial countries has occurred in Japan, for which the IMF has reduced the growth forecast by 1.3 percentage points in each of 1995 and 1996. These downward revisions leave the Fund's current projections for Japanese growth in 1995 and 1996 at 0.5 percent and 2.2 percent, respectively.

RELEASES THIS WEEK

Employment and Unemployment
****Embargoed until 8:30 a.m., Friday, October 6, 1995****

In September, the unemployment rate was unchanged at 5.6 percent. Nonfarm payroll employment increased by 121,000.

Personal Income and Expenditures

Personal income was about unchanged in August (it increased less than 0.1 percent at a monthly rate), following increases of 0.6 percent in July and 0.5 percent in June. Disposable personal income also increased less than 0.1 percent in August. Personal consumption expenditures increased 1.0 percent.

Leading Indicators

The index of leading economic indicators increased 0.2 percent in August.

Domestic Auto Sales

Domestic autos were sold at an annual rate of 7.5 million units in September.

MAJOR RELEASES NEXT WEEK

Producer Prices (Thursday)
Retail Sales (Friday)
Consumer Prices (Friday)

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
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**
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	N.A.
PPI-Finished goods	5.0	1.7	0.0	–0.1	N.A.

* CEA estimates.

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

New or revised data in **boldface**.
Employment and unemployment data **embargoed until 8:30 a.m., Friday, October 6, 1995.**

FINANCIAL STATISTICS

	1993	1994	Aug. 1995	Sept. 1995	October 5, 1995
Dow-Jones Industrial Average	3522	3794	4639	4747	4763
Interest Rates					
3-month T-bill	3.00	4.25	5.40	5.28	5.28
10-year T-bond	5.87	7.09	6.49	6.20	6.06
Mortgage rate, 30-year fixed	7.33	8.36	7.84	7.61	7.57
Prime rate	6.00	7.15	8.75	8.75	8.75

INTERNATIONAL STATISTICS

Exchange Rates	**Current level October 4, 1995**	**Percent Change from Week ago**	**Year ago**
Deutschemark-Dollar	1.433	+0.4	–7.6
Yen-Dollar	100.7	+0.6	+1.1
Multilateral $ (Mar. 1973=100)	84.50	+0.1	–4.0

(Latest available data for multilateral dollar is October 4; exchange rate data shown are also for October 4.)

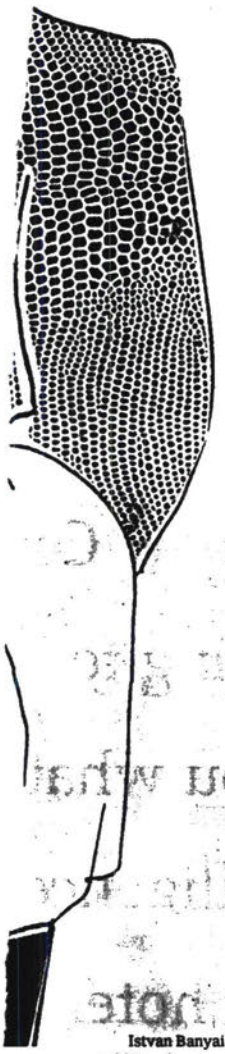
International Comparisons	**Real GDP growth (last 4 quarters)**	**Unemployment rate**	**CPI inflation (last 12 months)**
United States	3.3 (Q2)	**5.6** (Sept)	2.6 (Aug)
Canada	2.5 (Q2)	9.8 (Jul)	2.4 (Aug)
Japan	0.6 (Q2)	3.2 (Jun)	0.1 (Jul)
France	2.8 (Q2)	12.4 (Apr)	1.9 (Aug)
Germany	2.1 (Q2)	6.5 (May)	2.0 (Aug)
Italy	2.8 (Q2)	12.2 (Apr)	5.8 (Aug)
United Kingdom	2.8 (Q2)	8.8 (Jul)	3.6 (Aug)

U.S. unemployment data **embargoed until 8:30 a.m., Friday, October 6, 1995.**

THE PRESIDENT HAS SEEN
10-13-95

How I Learned To Fear the Cops

By Don Wallace



Istvan Banyai

The 10-year-old boy skipped down the sidewalk a few steps ahead of his parents in the warmth of a Los Angeles night in 1962. Behind him glowed Olvera Street, a slice of the old California's Mexican heritage — an alley lit by the fires of glass blowers and blacksmiths, taquito vendors and candlemakers.

He heard the screech of brakes but paid no mind until a police officer seized him by the shoulder and pushed him against a wall. Another officer shoved his 12-year-old brother. Then the boy saw something even more terrifying: the gun in the cop's hand.

Behind him, there were shouts from his parents, shrieks from his sisters. A heated quarrel broke out on the empty sidewalk, his father, a large man, berating the policeman for daring to take out his gun in the presence of his sons — a Cub Scout and a Boy Scout, both church-going, both good students — the cops warning him to get out of the way or face arrest.

What do you think happened next? You've read the papers. You followed the Rodney King case. If the family in this true story were black, what odds would you give on the father staying out of jail? Of staying alive?

As it happened, our family is white, and we got to go home to our all-white suburb, although without the apology my father demanded. I thought of Olvera Street this year whenever I heard people talk about the O.J. Simpson trial. And I think of it now, when most white voices I hear attribute O.J.'s swift acquittal solely to racial solidarity. I don't. This white boy got the message long ago.

I started high school at Long Beach Polytechnic, a large inner-city school. My first girlfriend, a biology whiz, had a Spanish surname and lived on the west side. I had a learner's permit and was allowed to visit her at night. The west side was bounded by a concrete levee, oilfields, two eight-lane boulevards — and a racial change from all-white to brown, black and yellow. Only a few streets led in or out, creating chokepoints, and there was usually a squad car at each one, day and night.

In my sophomore year, almost every night as I drove from Shelly's house a squad car would swing behind me and tail me. I got used to it, treating each drive home as if it were a mission through hostile territory: my signals perfect, my turns crisp, my speed steady and and always five miles per hour below the limit.

My hair was short and my skin white, but even so I was stopped by the police 11 times (with nary a ticket to show for it). I was also pulled over when I was with classmates after night games or club meetings. Once the police marched three of us into a field behind a screen of oil wells and then separated and handcuffed us. For an hour we were threatened with a beating, with arrest, yet no infraction was mentioned. The police were delivering their message of intimidation, insuring the crackle of fear, the walking-on-eggshells feeling, every time we entered the nonwhite zones.

> I'm white, but I got the message long ago.

I am astonished how we adjusted to this state of constant siege. When I was in public with black or Asian friends, there was always a chance that we would be singled out, even though the real gangs were always of one color, never mixed.

Once, when I was sitting with black friends at a crowded basketball game two police officers waded into the bleachers and hauled me out to the floor to be searched, in full view of my teachers and friends. That I was a football player in my letterman's jacket and president of the student body made no difference to the race-baiters in blue; it was probably why I'd been chosen in the first place.

Layer upon layer of incidents like these build a foundation of mistrust. It's why I'm a very cautious driver today. And it's why I firmly believe there will be no peace until black people can walk the same streets as white people without fearing the sound of the squad car's brakes, as I learned to do that night on Olvera Street. □

Don Wallace is writing a book about race relations in Los Angeles.

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THE PRESIDENT HAS SEEN
10-13-95

THE WHITE HOUSE

WASHINGTON

95 OCT 6 P9:15

OCTOBER 6, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS

SUBJECT: SUMMARY OF CABINET WEEKLY REPORTS
OCTOBER 1-6, 1995

Budget Impact on Rural America: This week the Office of Cabinet Affairs helped plan the Rural Budget Impact Roll-Out for Cabinet and subcabinet agencies. Next week, nine Cabinet Secretaries, 63 subcabinet officials from twelve Departments, and 24 regional administrators will conduct over 100 events in 32 states, covering 80 percent of the targetted media markets.

Hurricane Opal Update: Hurricane Opal made landfall near Pensacola, Florida on October 4 and moved rapidly northeast. The Gulf Coast of Florida from Pensacola to Port St. Joe suffered extensive damage from both wind and storm surge. The storm caused widespread damage in Alabama, Georgia, Tennessee and North Carolina. The FEMA Emergency Support Team (EST) is activated and closely monitoring the effects of Opal. FEMA has established a Disaster Field Office (DFO) in Tallahassee, Fla., to coordinate federal response and recovery activities in that state. A site for a similar DFO for Alabama has been located in Montgomery, and it is expected to open tomorrow. 4,500 members of the Florida National Guard are staffing a receiving and distribution center in Okaloosa County, Fla. The Federal Aviation Administration (FAA) reports that all airports in the affected area are now open, but numerous navigational aids are being repaired. 100,000 gallons of water were delivered to Crestview, Fla. The USDA has provided over 100,000 pounds of food. VA has 100 health care providers and 2 mobile units on alert. Power is gradually being restored in all affected areas.

Note: In response to your concerns, we have asked the Departments to provide greater advance notice on grants and other announcements that may be of interest to the White House.

DEPARTMENT OF TREASURY

- **The G-7 Meetings:** On Saturday, Secretary Rubin will meet with the G-7 Finance Ministers. On Sunday, the G-10 Finance Ministers meetings begin. Secretary Rubin will address the Interim Committee, and participate in bilaterals with the following countries: Germany, Japan, South Africa, France, Australia and India. On Monday, he will attend the Development Committee lunch, and participate in bilaterals with Korea and Russia. He will also be interviewed by Mexican-American reporters on President Zedillo's visit to the United States.

- **Underwriting Standards:** On October 10, Treasury will release a survey of loan underwriting standards at 40 large national banks. The survey found relaxed standards for making loans on some products, primarily in retail lending. Where standards were relaxed, they were done so to meet competitive pressures and because of changes in a bank's market strategy. The survey also showed that 14 percent of the banks surveyed had an increased level of credit risk. On October 9, comptroller Ludwig will discuss the survey in a speech to the American Bankers Association.

- **Superfund:** Senator Smith and Representative Oxley have drafted Superfund reform proposals that substantially increase Federal involvement in Superfund cleanups and relaxes existing cleanup standards. Treasury's Office of Economic Policy is working with other agencies to develop an Administration response to these proposals. In addition, the Administration has announced a collection of administrative reforms which implement many of the components of last year's Superfund reform proposal.

- **FY 1996 Treasury-Postal Appropriations:** The FY 1996 Treasury, Postal Service and General Government appropriations bill is still in conference pending the outcome of House-Senate negotiations on Representative Istook's amendment on non-profit lobbying. Representative Istook's amendment would limit the funds non-profit groups receiving federal grants can spend on lobbying. Even if Representative Istook is able to reach an agreement with the senate, the conferees would still have to be renamed in the House.

- **FY 1996 VA-HUD-Independent Agencies Appropriations:** The FY 96 VA-HUD-IA appropriations bill does not contain any funding for CDFI. Treasury and the White House are continuing their efforts to build support for the program in preparation for possible conference or post-veto negotiations on funding for the program. Additionally, the Senate moved the Office of Federal Housing Enterprise Oversight (OFHEO)--the supervisory agency for Fannie Mae and Freddie Mac -- from HUD to the Treasury Department.

- **Senate Waco Hearings Scheduled:** On October 31 and November 1, the Senate Judiciary Committee will hold hearings to investigate the incident in Waco, Texas.

- **ATF Involved in Investigation of Slain State Assistant Attorney General:** On September 25, a Massachusetts Assistant Attorney General was shot to death execution style at a commuter rail station in Roxbury, MA. ATF's Boston office has assigned special agents to work with the Boston Police Youth Violence Strike Force to assist in the investigation.

DEPARTMENT OF COMMERCE

- **National Export Strategy Report:** On Thursday, October 12, Secretary Brown is tentatively scheduled to testify before the Senate Banking Committee and later the House International Affairs Committee on the Third Annual Report to the Congress on the National Export Strategy. Highlights of this year's report include an analyses of foreign competitive practices and U.S. export decontrols and recommended actions concerning both issues.

- **Malcolm Baldrige National Quality Award:** On October 13, Secretary Brown will inform the companies that are the winners of the 1995 Malcolm Baldrige National Quality Award. The awards will be presented October 16, further reinforcing DOC's commitment to private-public partnerships in pursuit of advancing technology. Secretary Brown would welcome White House participation in this announcement.

Commerce Will Release the Following Economic Data:

Wholesale Trade for August 1995	October 6
Quarterly Financial Report - Retail for 2nd Quarter 1995	October 11
Advance Retail Sales for September 1995	October 13
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

- **DOC Reorganization Field Hearings Scheduled:** Rep. Clinger's Government Reform Committee has scheduled the following DOC Reorganization field hearings: Seattle-October 6, Los Angeles-October 7, Albuquerque-October 9 and Charlotte-October 20. The Senate Rules Committee will consider dismantling legislation when Congress returns.

- **Bluefin Tuna Reallocation:** The National Marine Fisheries Service has reallocated ten metric tons of bluefin tuna to allow fishermen in the New York and New Jersey areas the opportunity to catch large and giant bluefin tuna. All Congressional representatives contacted concurred, with the exception of Rep. Torkildsen (R-MA), who deemed the decision unfair to Massachusetts fishermen.

DEPARTMENT OF LABOR

- **International Child Labor Study and Press Conference:** On Wednesday, October 11, Secretary Reich will join Senator Tom Harkin in a press conference to announce the release of DOL's International Labor Affairs Bureau's (ILAB) 2nd Congressionally-mandated child labor report, *"By the Sweat and Toil of Children (Volume II): The Use of Child Labor in U.S. Agricultural Imports & Forced and Bonded Child Labor."*

- **Business Council:** On Friday, October 13, Secretary Reich will travel to Williamsburg, Virginia to speak to the Business Council.

- **Affirmative Action Hearing Scheduled:** On October 18, Congressman Canady and Senator Brown of the House and Senate Judiciary Committees will hold the second joint hearing on affirmative action. The hearing will deal with the economic consequences of affirmative action. Press reports also indicate that the House Subcommittee plans an additional hearing that will deal with Representative Canady's bill (H.R. 2128) to prohibit use of racial and gender preferences in Federal programs. The companion Senate bill is S. 1085 (Dole, R-KS).

- **Workforce Development Act:** On October 10, the Workforce Development Act (S.143), is currently scheduled to be considered by the Senate. A time agreement on this legislation was proposed and adopted after it was removed from consideration during the Welfare Reform action in

the Senate. After action on this legislation, it will go to Conference with the H.R. 1617 (the CAREERS Act) which was passed in the House of Representatives September 19th.

- **Caterpillar-UAW Negotiations Resume:** Direct negotiations between Caterpillar and the United Auto Workers resumed on September 28 in Peoria, IL. About 9,000 UAW members remain on strike since June 20, 1994. The last negotiated agreement between Caterpillar and the UAW expired September 30, 1991.

- **Detroit Newspaper Strike Update:** Six unions, representing 2500 workers striking Detroit area newspapers, have offered to return to work under the terms of the expired contract if the newspapers agree to one month of intensive negotiations, followed by binding arbitration of unresolved issues. The newspapers have rejected arbitration, but are reviewing the rest of the unions' offer.

- **Machinists Strike Boeing Facilities in Washington, Kansas and Oregon:** On October 6, the Machinists struck Boeing's aircraft assembly and component manufacturing facilities in Seattle and Spokane, Washington, Wichita, Kansas, and Portland, Oregon. The strike followed the union members' rejection of the company's contract offer. The Machinists represent approximately 34,000 hourly employees at Boeing.

- **Unions in Metro-North Dispute Endorse Board Recommendations:** Rail unions representing workers at New York's Metro-North commuter railroad have endorsed the recommendations of Presidential Emergency Board No. 227, issued on September 29. The status quo period under the Railway Labor Act expires on November 28, 1995.

DEPARTMENT OF TRANSPORTATION

- **Hurricane Opal:** On October 5, Secretary Pena travelled to the disaster area in Florida to inspect transportation damage. He was joined by the FHA Administrator Rodney Slater and Senator Connie Mack, and met with FEMA Director James Lee Witt. Together they did a press briefing with Governor Chiles and Senator Graham, where Secretary Pena announced the release of $1 million of federal emergency transportation funds.

- **Emergency Management/Hurricane Response in U.S. Virgin Islands and Puerto Rico:** DOT continues to manage the transportation response to Hurricane Marilyn. St. Thomas Instrument Landing System (ILS) has returned to service following repair from hurricane damage. The airport is open for normal operations. Air traffic control services are being provided from the existing tower structure until such time as repairs can be made to the facility.

- **California Court Decision Impacts Tasman Light Rail Project:** On September 28,the California Supreme Court invalidated a Santa Clara County sales tax, making it more difficult for local governments to administer local taxes. The Santa Clara County half-cent sales tax, which would pay for the Tasman Light Rail and other transportation projects, was due to take effect on April 1, 1996. The court's decision puts on hold the Tasman LRT project that would extend light rail to Silicon Valley employers and link northeast San Jose with downtown Mountain View.

- **Russian Federal Border Service Visit:** The Coast Guard will host an official visit by General Colonel Nikolayev, Director of the Russian Federal Border Service during the period of October 14 through October 20. Admiral Kramek and General Nikolayev will discuss issues involving law enforcement, fisheries and training. They will sign an agreement relating to the sharing of resources and missions.

- **International Aviation/U.S.- Hong Kong:** On September 29, the U.S. and U.K./Hong Kong Delegations reached agreement on a Memorandum of Understanding and Air Services Agreement to govern U.S.-Hong Kong aviation relations. The Agreement will continue in effect after Hong Kong reverts to PRC sovereignty in 1997. The MOU retains all existing rights including the contested Round-the-World route, and provides for services at up to three new U.S. gateways. The agreement, which Secretary Pena will initial during his November trip to Asia, should provide a stable base for continued growth and development of U.S.-Hong Kong air services.

- **U.S. - Japan Cargo Negotiations:** The first round of broad-scale cargo negotiations took place in Tokyo September 26-28. The U.S. proposed that a very liberal regime for cargo services be phased in over a number of years to be worked out in the talks. The Japanese proposed that two carriers for each country be permitted to operate U.S.-Japan services without restriction as to the cities that could be served. Under Japan's proposal, a frequency cap would limit the overall total number of weekly flights U.S. and Japanese carriers could operate between the two countries, but without separate frequency limits on services to specific cities. The Japanese indicated that cargo flights beyond Japan would be constrained, but they did not propose any specific mechanism for limiting such flights. The two sides agreed to set dates in November for the next meeting, and that the talks should conclude by March.

FAA Reform: On October 11, Secretary Pena and Administrator Hinson will testify before the House Transportation and Infrastructure Committee, Aviation Subcommittee. The subject of the hearing is H.R. 2276, which would establish an independent FAA.

FAA Gives Denver International Airport High Marks for Performance: The FAA issued its latest report card on October 4 and Denver International Airport received high marks. The report shows that DIA--the nation's 11th busiest airport--continues to reduce flight delays for air travelers in Denver. During DIA's first six months of operation, the new airport logged 241,200 takeoffs and landings, with only 1,030 air traffic delays--a rate of about four-tenths of one percent. The new airport's performance was more than twice as good as St. Paul-Minneapolis' one percent delay average.

DEPARTMENT OF JUSTICE

Guilty Verdict in World Trade Center Bombing Case: Following a nine-month trial, on October 1, a federal jury in the Southern District of New York found Sheik Omar Ahmad Ali Abdel Rahman and nine co-defendants guilty of numerous crimes relating to their conspiracy to commit terrorist acts in the United States. Rahman was transferred to the U.S. Medical Center for Federal Prisons in Springfield, MO.

- **National Endowment for the Arts Case:** The plainitffs in *Finley v. National Endowment for the Arts* challenged the constitutionality of a statute requiring the Chairperson of the NEA to take general standards of decency into consideration when establishing regulations ensuring that grant applications are judged by their artistic excellence and artistic merit. The district court ruled that the statute was unconstitutional. DOJ will file a supplemental brief with the Ninth Circuit.

Community Policing/Domestic Violence Prevention Initiative: In response to the high level of interest from police departments and domestic violence shelters, the COPS Office increased the amount of funding available for the Community Policing/Domestic Violence Prevention Initiative from $10 million to $20 million.

- **Senate Ruby Ridge Hearings Continue:** Senator Specter will continue to hold hearings to review the actions of federal agencies involved in a raid in Ruby Ridge, Idaho, on October 11, 12, and 13.

Update on Immigration In The National Interest Act of 1995: On September 27, the House Judiciary Committee approved amendments which make forced abortion or sterilization a grounds for asylum and which allow certain adult children of U.S. citizens who meet strict requirements to immigrate. Issues regarding asylum reform, legal immigration, refugee admissions ceilings, and benefits for immigrants remain. On October 11 the committee will resume mark up of the legislation.

Senate Judiciary Committee To Hold Hearing On Religious Freedom: On October 20, the Senate Judiciary Committee will hold a hearing on recent cases involving persons whose right to religious worship has been denied.

Court Upholds Appointment Of Second Emergency Board In Railway Labor Dispute: The D.C. Circuit granted DOJ's motion to dismiss the complaint brought by two unions representing employees of the Metro-North Commuter Railroad and upheld your appointment of a second emergency board in that labor dispute.

- **Motor Voter Law Held Constitutional:** On October 3, in *Commonwealth of Virginia v. United States,* (E.D. Va.), the district court upheld the constitutionality of the National Voter Registration Act and the court ordered the State of Virginia to comply with the law.

- **Supreme Court To Rule On Sentencing Guidelines In King Beating:** On September 27, the Supreme Court granted defendants' petitions for a writ of certiorari in *Koon v. U.S.* and *Powell v. U.S.*, with respect to the Sentencing Guidelines issue. Koon and Powell were convicted for their role in the beating of Rodney King in Los Angeles, CA. At sentencing, the district court decided to depart downward from the sentencing range specified by the Sentencing Guidelines. This was reversed on appeal. Koon and Powell assert that the court of appeals erred in failing to defer to the district court.

- **Constitutionality Of Clinic Injunction Upheld:** On September 28, the Second Circuit in *Pro-Choice Network v. Schenck,* affirmed the constitutionality of a preliminary injunction issued by the district court limiting anti-abortion protesters from engaging in certain obstructive conduct in the vicinity of abortion clinics in the Western District of New York.

- **Court Upholds EPA Regulations:** On September 28, the Sixth Circuit issued a decision upholding EPA's regulations in *BP Exploration & Oil Inc. v. EPA*, a case challenging EPA's effluent limitations and guidelines for the offshore oil and gas industry.

- **Foreign Travelers Entering U.S. Will Pay Fees:** Beginning on October 9, certain foreign travelers entering the U.S. at land border ports of entry will be required to pay fees for some documents and services such as arrival/departure forms, visitor's permits, and applications for border crossing cards. The fees were adopted to help pay the costs of improving and maintaining services at the ports.

- **INS To Test Dedicated Computer Lane On Southern Border:** On September 29, INS published a regulation to implement the initial test phase of a dedicated commuter lane (DCL) at the Otay Mesa, CA, Port of Entry for frequent, low-risk border crossers. During this test phase, INS plans to enroll as many as 500 vehicles with as many as four persons approved for each. The applicants will undergo extensive background checks to ensure that no one with prior immigration or criminal violations is enrolled.

U.S. Trade Representative

- **Fast Track Negotiating Authroity:** Ambassador Kantor continued consultations with the Ways and Means Committee regarding fast track negotiating authority for future trade agreements.

Small Business Administration

- **Trade Promotion Annual Report:** On October 12, the Trade Promotion Coordinating Committee will present its annual report to the Senate Banking Committee and House International Relations Committee. The report has three major thrusts: the first part involves foreign competitive practices; the second part deals with advocacy; and the third part talks about getting small business more involved in the international marketplace. As a member of the TPCC, Administrator Lader is scheduled to attend along with Secretary Brown and ExIm President and Chairman Brody.

Office of Personnel Management

- **FEHBP Survey:** OPM will issue a news release next week which indicates that, for the second straight year, employees and retirees receiving medical benefits from the Federal Employees Health Benefits Program have given their health plans high marks in terms of overall satisfaction. More than 85% of enrollees in fee-for-service plans and HMOs said they were satisfied with their FEHBP health plan.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Massachusetts and HHS Reach Compromise on Welfare Waiver:** On October 2, the Department received a letter from Massachusetts accepting the terms and conditions offered to the State in August for the State's welfare demonstration proposal, with the exception of the provisions pertaining to the time limit on receipt of benefits.

- **1996 Medicare Beneficiary Premiums and Deductibles to be Announced:** On October 13, in conjunction with the Social Security Administration's release of cost of living adjustments, the Health Care Financing Administration (HCFA) will announce the 1996 Medicare Part A inpatient hospital deductible and coinsurance, the Part B monthly premium rate, and the Part A monthly premium for the uninsured aged. Each of these rates is determined by statutory formula. The release will be coordinated with the White House.

- **HHS May Approve Welfare Proposal for Georgia:** Georgia's *Work for Welfare Project* would operate in ten pilot counties and would require every recipient and non-supporting parent to work 20 hours per month in a state, local government, federal agency or nonprofit organization; extend job search; and increase sanctions for JOBS noncompliance.

- **Report Shows States Are Shifting Non-Emergency Costs to Emergency Assistance Programs:** On October 6, the Office of the Inspector General released a final report which concludes that emergency assistance (EA) expenditures claimed by states have increased by about 400 percent, from $153 million to $782 million, between 1991 and 1994. This final audit report points out that states, in order to maximize federal revenue, have been amending their respective EA programs to obtain funding for services traditionally state-funded. These services, predominantly juvenile justice, tuition, foster care, and child welfare, usually address long-term problems, rather than immediate crisis needs. Because the EA legislation and regulations are broad, states are able to shift these costs by lengthening the eligibility periods, defining emergencies to allow the shifting to occur, and setting high income standards for eligibility.

- **Kentucky Medicaid Waiver Amendment To Be Approved**: On Friday, October 6, HHS announced the approval of an amendment to Kentucky's statewide health care demonstration project. Under the project, Kentucky will enroll all non-institutionalized Medicaid beneficiaries into one of eight regional managed care entities that consist of public and private medical providers.

- **$40 Million in "Early Head Start" Grants to be Announced:** Next Week, Secretary Shalala will announce $40 million in grants for "Early Head Start," a new program that will provide comprehensive child development and family support services to low-income pregnant women and families with children under the age of three.

- **$9 Million in Community Schools Grants to be Announced:** Next week, HHS will announce $9 million in grants designed to help youth find a safe passage to adulthood, funded under the bipartisan Crime Bill.

- **Family Violence Grants to be Released:** Next week, Secretary Shalala will announce the award of over $700,000 in grants to help communities prevent family violence through public awareness,

outreach and collaboration. The money will go to organizations in 16 states that will develop strategies to prevent violence and provide support to victims.

- **HCFA Will Report on Success of Medicaid Drug Rebate Program**: According to a forthcoming HCFA study, a Medicaid drug rebate program collected $2.51 billion in rebates from 1991 to 1993, considerably slowing the growth of Medicaid drug expenditures during the period. Under the drug rebate program, established in OBRA 1990 and effective since Jan. 1, 1991, drug manufacturers who participate in Medicaid must provide a volume discount in the form of a rebate to the state Medicaid programs. The administrative costs to the state agencies administering the rebate program averaged less than one percent of the rebates collected.

- **Secretary's Schedule:** On Tuesday, October 10, Secretary Shalala will travel to Fort Lauderdale, Florida to participate in a conference with Governor Chiles on domestic violence. While in Florida, she will also join Minority Leader Gephardt in a seniors event focusing on saving the Medicare program from Republican budget cuts. On Thursday, October 12, she will testify on issues relating to the FDA's regulation of the nation's blood supply at a hearing held before the House.

SOCIAL SECURITY ADMINISTRATION

- **Social Security Benefit Increase:** The CPI for Urban Wage Earners and Clerical Workers (CPI-W) for September 1995 is scheduled to be released on October 13, 1995. When it is released, the automatice Social Security COLA for December 1995 will be determined and will be effective on January 3, 1996. Any legislative modifications to the COLA or the Medicare Part B premium after late-October will make it difficult to implement the changes for the January 3, 1996 payment.

- **Advisory Council on Social Security:** On October 12 and 13, the Advisory Council on Social Security will meet in Washington, D.C. and will hear a presentation on alternatives for investing Social Security funds. The Council also will hear presentations on the Consumer Price Index (CPI) and on using a portion of the Social Security payroll tax for individual accounts.

VETERANS ADMINISTRATION

- **Homeless Providers Grant and Per Diem Program:** This week, the VA will complete grant awards under the Homeless Providers Grant and Per Diem Program. A total of 28 public and private nonprofit groups received grants to develop new programs to assist homeless veterans. The awards total more than $6.37 million and will supplement up to 65 percent of the cost of acquiring or renovating facilities that will be used for supportive housing or service centers.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Hartford and Chicago Receive Development Awards:** On October 9, Secretary Cisneros will travel to Hartford, CT and Chicago, IL to announce two of the six winners of this year's $120 million public housing development awards to transform the nation's worst public housing projects. Hartford, CT will receive $21 million in development funds and approximately 335 Section 8 rental certificates to partially demolish and redesign Charter Oak Terrace, a 1,000-unit apartment complex that was originally built as transitional housing for World War II factory workers. Chicago, IL will receive $25.4 million to begin transforming Cabrini Green and the Lakefront Properties. The development funds will supplement the city's HOPE VI effort to demolish several buildings at Cabrini Green to make way for a mixed-income community with a range of job training and social service programs.

- **$4 Million to be Awarded to HBCUs:** On October 19, HUD will announce $4 million in awards to support Historically Black Colleges and Universities (HBCUs).

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Anti-Drug Public Service Announcements Completed:** Editing and distribution plans have been completed for the anti-drug public service announcements filmed at the White House with Director Borwn and various celebrities. These PSAs will be distributed throughout the U.S. On Friday, October 13, Director Brown will announce these PSAs during a press conference.

- **ONDCP International Symposium of Counterdrug Technology:** This symposium, co-sponsored by the Canadian government, will take place on October 24-27 in New Hampshire. It will include demonstrations of improved communications, satellite technology, and law enforcement technologies. ONDCP expects much press coverage and over 400 law enforcement experts in attendance. Director Borwn, Attorney General Reno and Secretary Rubin will deliver remarks during the symposium.

DEPARTMENT OF EDUCATION

- **Higher Education Conference:** On October 8 and 9, Secretary Riley will participate in the "National Conference on the Best Ways for the Federal Government to Help Students and Families Finance Postsecondary Education" in Charleston, SC. Senator Kassebaum is also expected to attend.

- **Technology Meeting and Grant Announcement:** On October 10, Secretary Riley will join you and the Vice President at the White House for a meeting with CEOs to discuss technology and announce the award of 19 technology challenge grants.

- **NAEP Geography Report:** On October 17, Secretary Riley will hold a press conference to announce the findings from the National Assessment of Educational Progress (NAEP) report for geography.

- **Experimental Sites for Regulatory Reinvention to be Announced:** On October 10, Secretary Riley is tentatively scheduled to announce the first group of postsecondary institutions to be named as experimental sites for regulatory reinvention. As experimental sites, the institutions will be granted regulatory relief in exchange for results.

- **Joint Hearing on Education and Technology:** On October 12, the House Science Committee and the House Economic and Educational Opportunities Committee will hold a joint hearing on the outlook for technology in schools in the 21st century. Speaker Gingrich, a panel of technology futurists, an industry panel, and an education panel are expected witnesses. The Administration has not been asked to testify.

DEPARTMENT OF THE INTERIOR

- **ESA Reauthorization:** There is an unconfirmed report that the House Resources Committee my be planning to mark-up the anti-environmental Young/Pombo Endangered Species Act bill on October 12th. This short notice would provide the opposition little time to marshall its arguments against the bill.

- **Threatened Veto of Appropriations Bill:** Interior officials are contacting editorial boards to explain your reasons for threatening a veto of the Interior Appropriations Bill and the Reconciliation Bill. Editorial Boards visited thus far include the *Albuquerque Journal*, *Minneapolis Star Tribune*, *USA Today*, and the *Los Angeles Times*. DoI is also contacting editorial boards in Nevada, Kentuckly, Maine, Ohio, and Kansas. In addition, supportive editorials continue to be written across the country on a number of environmental issues.

ENVIRONMENTAL PROTECTION AGENCY

- **House Republican Proposal for Superfund Reathorization:** EPA expects Representatives Oxley (R-OH) and Shuster (R-PA) to introduce their Superfund reauthorization bill next week. While the proposal seems to take a small step closer to the Clinton Administration's position on liability -- that the polluters should pay for cleanup of the pollution they caused -- Oxley and Shuster and the House Republican leadership still support, and are looking for a way to pay for, full repeal of retroactive liability. Retroactive liability is the heart of Superfund's "polluter pays" concept. The remedy selection provisions of the proposal do not meet the goal of speeding up cleanup and returning toxic waste sites to communities for productive economic use.

  The Republican legislative proposal falls far short in four key areas: **1) Liability:** The bill would let big polluters off the hook at the expense of the taxpayer. One provision appears to pay polluters instead of insisting that they pay for the cost of cleanup. **2) Remedy selection/Cleanup preferences:** This proposal would result in fencing off too many toxic waste dumps rather than cleaning them up. **3) Remedy selection/Groundwater contamination:** The Republican proposal specifically lets polluters off the hook where cleanup of groundwater contamination is concerned. **4) Litigation:** This proposal would help get lawyers into the courtroom faster than communities could get their sites cleaned up.

- **Safe Drinking Water Act Reauthorization:** The Safe Drinking Water Act Reauthorization negotiations continue with only two major issues outstanding. The key remaining concerns are issues regarding standard-setting, which will impact the regulatory reform debate. The first issue is the application of a "good science" requirement which as currently drafted could apply to decisions which are not science based. The second issue is the definition of benefits, specifically the ability of the Agency to take into account non-quantifiable benefits.

  Senators Baucus (D-MT), and Reid (D-NV) will likely sign onto this bill. There will be significant pressure for the Administration to support it. The negotiating process has been bi-partisan overall, and the bill represents a balanced reform of the Act that provides greater flexibility for the states while strengthening public health protection.

  Senator Kempthorne's intent is to introduce this bi-partisan bill next week. He is looking for Administration reaction. The Administrator will be asked to testify on October 19. Administrator Browner believes we should be supportive of this proposal and is seeking consensus within the Administration.

- **Expansion of Community Right-to-Know Reporting:** This week Administrator Browner sent you a progress report on EPA's efforts to explore the expansion of Community Right-to-Know reporting to include data on chemical use. The report was compiled in response to an August 8, 1995 Presidential directive to expedite an open process for consideration of a rule that would require companies to disclose information that describes the quantity of chemicals that flow through their plants and are emitted into the environment as wasted or in products. The Agency will hold a public meeting on this issue this month and will proceed with plans to incorporate chemical use information into the Toxic Release Inventory.

DEPARTMENT OF AGRICULTURE

- **USDA Fights California Wildfire:** The Mount Vision fire in California has doubled in size to 8,000 acres and the number of structures destroyed has increased to 48. Likewise, total resources mobilized on the fire have doubled: 1,159 personnel in 37 crews are dedicated, with 108 engines. Last night, the USDA Forest Service mobilized two C-130 airtankers (each holding 3,000 gallons of water), three smaller airtankers, two lead airplanes, six engines, and 15 20-person crews to support firefighting efforts. The fire is now 60 percent contained and is expected to be under control Saturday.

- **Budget Effect On Rural America**: USDA is actively participating in the Administration-wide effort to point out the devastating impact the planned Congressional budget cuts would have on rural America. On October 13, Secretary Glickman will travel to New England for a rural budget rollout event. USDA has established a "rural rollout war room" to assist with travel and events by Administration officials.

- **NAFTA Report:** On October 6, the USDA released *NAFTA: What's Up?*. The report notes that U.S. agricultural trade with NAFTA partners was up about 4 percent the first seven months of 1995 and is expected to reach nearly $10 billion for the calendar year. U.S. farm exports were down 7.3

percent in the first seven months of 1995, while U.S. imports increased 16.6 percent. The trade surplus this year with Canada is expected to offset most of the deficit with Mexico caused by the peso crisis, resulting in a 1995 net trade deficit with NAFTA partners of about $100 million.

- **Meat & Poultry Inspection Reform:** USDA will hold a food safety forum in Washington, D.C. on November 1. The forum will focus on meat and poultry inspection reform issues beyond specific issues addressed in the Pathogen Reduction/Hazard Analysis and Critical Control Points (HACCP) Systems food safety regulatory proposal. The Department's goal is to publish a final rule by December 31.

- **USDA Offers Help On Education and Technology Initiative:** The USDA Rural Utilities Service (RUS) has offered to assist the Domestic Policy Council (DPC) with the rural portion of the initiative on education technology to bring toll-free telecommunications access to all schools by year 2000. RUS lends ~~money to about 900 rural~~ telecommunications companies, serving ~~18 million~~ rural Americans on over 40 percent of the country's land mass. RUS has been working to assure that its borrowers provide advanced telecommunications services to their subscribers, including digital switching, fiber optic cabling, distance learning, and telemedicine.

- **Pacific Northwest Economic Adjustment Initiative/Forest Plan:** The USDA Forest Service continues to pursue implementation of the 1995 Rescission Act timber salvage sale provisions. As of September 30, ~~1,635 million board feet has been offered for sale nationally~~. The planned salvage sale offer for FY95 is 1,731 million board feet.

  On September 29, the Department of Justice notified the federal court that the Forest Service will release 10 timber sales totalling 48 million board feet on the Umpqua (Oregon), Olympic (Washington), and Gifford Pinchot (Washington) National Forests. The timber sales comply with the timber provisions of the 1995 Rescissions Act involving old-growth forests on the west side of the Cascades. About 63 sales will not be awarded due to court injunctions and endangered bird species concerns. *Note: We are preparing, with the Agriculture Department and OMB, a complete and current report on timber sales and harvest.*

- **Emergency Aid Provided To Hurricane Marilyn/Opal Victims**: USDA has requested over 478,000 lbs. of 17 commodities to be transported to St. Thomas, Virgin Islands to assist victims of Hurricane Marilyn. About 300,000 lbs. of food have been delivered to date, with more deliveries planned. A truckload of ready-to-feed infant formula was purchased on September 28 and airlifted on September 29.

- **Congressional Hearings:** The House Resources Committee Timber Salvage Task Force will hold an October 12 hearing on implementation of FY95 rescissions regarding timber salvage. USDA National Forest System Deputy Chief Grey Reynolds will testify. On October 21, the Task Force will hold a similar field hearing in Redding, California.

  The House Resources Subcommittee on Fisheries, Wildlife, and Oceans on October 12 will mark up H.R. 33, a bill to transfer the Fish and Farming Experimental Laboratory in Stuttgart, Arkansas to USDA.

- **Boll Weevil Eradication Program Faces Challenges:** The Southeastern Bollweevil Eradication Program Foundation has run out of funds and is seeking additional funding from USDA in order to keep operating until assessments are collected next spring. The Department is evaluating options to provide this funding, which is the subject of considerable Congressional interest.

  Meanwhile, a campaign is underway in the Texas Rio Grande Valley to gain enough signatures among cotton farmers to force a new referendum to eliminate the USDA Boll Weevil Eradication Program. Petitions are being circulated, and advertisements are being published in local newspapers by a group calling itself S.W.E.E.P. O.U.T. The group claims that over $150 million has been lost this year by Rio Grande Valley cotton farmers, allegedly because spraying by the eradication program killed beneficial insects. The *New York Times* is working on a story on this issue, which USDA is researching.

- **Certiorari Not To Be Sought For Ethanol Rule:** On September 29, the Solicitor General decided not to seek certiorari in American Petroleum Institute v. EPA. The D.C. Circuit had entered its judgment against the renewable oxygenate rule in this case (ethanol rule) on April 28. The government's petition for rehearing was denied on July 3; a petition for certiorari would have been due on October 2. The Environmental Protection Agency (EPA) and USDA recommended that the United States seek certiorari in this case. The Solicitor General's office determined that it was unlikely that the Supreme Court would take the case.

  EPA and USDA are continuing to support the ethanol industry in other ways, including developing a plan to bring ethanol use to 2 billion gallons a year by year 2000. On a related note, the provisions of the House Ways and Means Committee budget reconciliation markup, which would have reduced and repealed the ethanol tax incentives, will be removed from the budget reconciliation bill. The Administration strongly opposed the House provisions.

DEPARTMENT OF ENERGY

- **Announcement on the Provision of Tritium:** On October 10, DoE will announce its preferred alternatives to meet its tritium requirements to maintain the nuclear weapons stockpile.

- **Issues Affecting Rates Charged to Customers in the Pacific Northwest:** Last week, Secretary O'Leary directed the Administrator of the Bonneville Power Administration (BPA) to renegotiate contracts with its large customers. The decision as to how to proceed changed based upon extensive consultation with the Northwest Congressional Delegation. At the request of Leon Panetta, a more lengthy memorandum on this subject and the status of Bonneville will be sent to you in the near future. The final decision made last week instructed the Administrator of BPA to accept agreements with their large customers that had committed to take 80 percent of their current capacity levels from BPA. These agreements ensure that there will not be significant load loss, provides adequate revenue for Bonneville to meet its environmental requirements, and stabilizes Bonneville's economic base. Many in the region will not like the fact that these large customers were provided protection from potential stranded investment costs that may be incurred by some Bonneville customers if large customers leave the system. However, the assurance of revenue associated with concluding the contracts provides greater certainty than renegotiating the contracts would have. The Northwest

Congressional Delegation was consulted along the way on this decision.

- **Western Area Power Administration Energy Planning and Management Program :** DoE's Western Area Power Administration (WAPA) will issue a final rule establishing an energy planning and management program. The goal of this program is to require planning and efficient energy use by WAPA's long-term firm power customers. This rule was developed as a result of intensive stakeholder involvement, which included public scoping meetings on a related evironmental impact statement.

UNITED STATES INFORMATION AGENCY

- **Intellectual Property:** The Washington Foreign Press Center tour on intellectual property rights, scheduled for October 12-20, has received a strong response from both USIS posts and domestic-based foreign journalists. More than 50 foreign journalists have expressed an interest in joining the tour; USIA can accommodate only 25 for the program which begins in Washington, DC, and moves on to California and Washington State. The tour, targeted to media from countries on the USTR watch and priority watch lists, will focus on the IPR interests of American software, publishing, manufacturing, entertainment, pharmaceutical and biotech companies.

- **Foreign Policy Media Reaction:** There was a growing sense in the media overseas last week that the Clinton Administration was on a "foreign policy roll." Observers cited the New York agreement on Bosnia Tuesday and the official signing of the Oslo II accord at the White House as outstanding examples of the Clinton Administration's "comeback in the diplomatic arena" and the reassertion of the US role as "the Bundesbank for security." Editorialists, however, were mixed in their assessments on the prospects for peace in both the former Yugoslavia and the Middle East.

- **Upcoming Central American Trip by First Lady:** USIA has prepared a briefing paper on women's issues for the First Lady's upcoming trip to Central and South America. Available data from El Salvador and Panama shows that there is broad support for women taking on major responsibilities outside the home in professional jobs but considerably less approval for women who would simply work for pay.

DEPARTMENT OF DEFENSE

- **NATO and Russia Meetings:** The NATO informal defense ministerial is underway in Williamsburg (October 4-7). The discussion will be on Bosnia, the Peace Implementation Force, NATO expansion and adaption for the future. Throughout the discussions, relations with Russia will be a primary focus. Secretary Perry will be seeking allied views on how to integrate Russian forces into the NATO structure in Bosnia and ways the U.S. can improve the overall NATO-Russia relationship.

- **Former Yugoslavia Republic:** U.S. F-18's and EA-6's on patrol over Bosnia were targeted by Bosnian Serb SA-6 surface-to-air missile batteries yesterday. In response, the fighter gets launched three HARM radar-seeking missiles at the sites located southwest of Banja Luka and south of Sarajevo.

- **Japan:** In the aftermath of the Okinawa rape incident, there is continued pressure in the Japanese media for the Status of Forces Agreement (SOFA) revision. The three servicemen accused of the rape incident were formally indicted and turned over to Japanese authorities on September 29.

- **Haiti:** Current U.S. efforts have not yet ensured withdrawal of the UN mission and U.S from Haiti in February as planned. Efforts to facilitate presidential elections (hopefully to be held November 26), creation of a semi-competent police force (and Justice Ministry management/leadership structure), and economic renewal are all stymied by the unwillingness or inability of the Government of Haiti to move forward. In most cases, the problems continue to be the responsibility of Aristide and his supporters. In other cases, such as renewal and privatization of an economy devastated by years of embargo, inherited problems are magnified by incompetent GOH leadership and political infighting.

Counterdrugs: Colombian guerrillas fired on two Department of State T-65 Turbo Thrush aircraft in the vicinity of Miraflores, Columbia on September 27. One aircraft was destroyed and the pilot killed. The second aircraft was hit but able to return to base.

DEPARTMENT OF STATE

- **Bosnia/Croatia:** State Department officials are working with Europeans and the World bank on a post-war assistance program. The Bank is looking at ways to open up Bosnia' access to finances while dealing with over $450 million in arrears. The EU is moving toward a lead reconstruction role, as they prefer, including their ideas on coordinating in Bosnia. Potential donors agree that economic reform must accompany reconstruction, and State Department officials are developing program ideas.

- **Syria:** On Thursday, October 5, Secretary Christopher met with Syrian FM Shara. Shara spent most of the session justifying their decision to send military experts back and trying to put the onus on the Israelis and us for the lack of progress. The Syrians did agree to allow their Ambassador to engage with Dennis Ross on security issues.

- **Terrorism Alert:** In anticipation of possible terrorist reaction to the conviction of the blind Sheik, State Department officials advised all U.S, foreign service posts to review security procedures. A counter-surveillance team was dispatched to Cairo, considered the most likely target.

UNITED NATIONS

- **General Debate:** Several states used the General Debate during the week of October 2 - 6 to take the U.S. to task for the state of its arrears -- $880 million for peacekeeping; $742 million for the regular budget. The United States funds approximately one quarter of the regular UN budget. Our failure to pay our assessments has precipitated a financial crisis requiring austerity measures which include a freezing of certain voluntary funds and a ban on travel and new hires. These actions to conserve funds are impacting negatively on many programs of high priority to the U.S., including the

peacekeeping force on the Iraq-Kuwait border, the international tribunals for Yugoslavia and Rwanda and the dispatch of election monitors to several countries.

- **Bosnia:** In response to the financial crisis in the UN peacekeeping budget, the Secretary-General is preparing to reduce the size of the UN peacekeeping operation in Bosnia (UNPROFOR). The U.S. do not oppose some "thinning out" of UNPROFOR but have cautioned against a dramatic change in the size of the force at this stage of the peace process.

- **Rwanda:** The Secretary-General, again citing the UN's financial crisis, is expected to recommend on October 9 that UNAMIR, the UN peacekeeping operation in Rwanda be sharply reduced. The Secretary-General is scheduled to report on the humanitarian situation in Rwanda and progress towards the repatriation of refugees on October 11.

- **Address to Council on Foreign Relations:** On October 11, Ambassador Albright is scheduled to address the Council on Foreign Relations in New York regarding the need for bipartisanship in U.S. foreign policy, particularly with respect to U.S. approach to American leadership and participation at the UN.

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

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

THE PRESIDENT HAS SEEN
10-13-95

Kathleen A. McGinty
Chair

95 OCT 6 P9:16

October 6, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN MCGINTY

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

CONFIRMATION

Senator Thomas (R-WY) has invited me to testify before the Senate Energy and Natural Resources Subcommittee on Oversight and Investigations. The hearing will be next Friday. While not directly linked to my nomination, Senator Thomas and other Western senators wanted to better understand my role on issues such as timber, grazing, endangered species, etc.

VICE PRESIDENT'S ENVIRONMENTAL ROUNDTABLE

The Vice President, EPA Administrator Carol Browner and I did a round-table for major print and television environmental reporters to discuss the GOP attack on health and environmental protection. The discussion, which focused on budget legislation, went well and yielded good stories in most of the major papers.

SAFE DRINKING WATER

Senators John Chafee (R-RI), Dirk Kempthorne (R-ID), Max Baucus (D-MT), and Harry Reid (D-NV) are poised to introduce a Safe Drinking Water Reauthorization bill that has been produced through a protracted set of negotiations among the Senate majority, minority, and the Administration. The bill does not meet all of the Administration's concerns, and a number of issues remain to be resolved over the long holiday weekend. But Kempthorne has made significant compromises and this will almost certainly be a bill that the Administration can support even as we maintain some reservations and make clear that we will withdraw our support if the bill is substantially changed on the floor. This will be a useful example of how the Administration can work successfully on a bipartisan basis to produce responsible reforms on environmental issues. It will also bolster your position in opposing partisan, special-interest bills in the House to roll back environmental protection. If the bill is introduced next week as expected, we anticipate that the Environment and Public Works

Committee to proceed quickly to markup the following.

SUPERFUND

EPA Administrator Carol Browner this week announced a series of administrative reforms to Superfund that will implement many aspects of your Superfund reform bill from last year. These reforms, which were initiated through an interagency process convened by CEQ and NEC, will reinforce your position as an advocate of responsible reform of Superfund, in contrast to the extreme bills now pending in the House and Senate. Next week, Administrator Browner will testify before an Environment and Public Works subcommittee on the Smith Superfund bill, which is thoroughly unacceptable to the Administration. The bill would limit the number of sites that can be cleaned up under Superfund, permit little more than building fences around sites, and divert funds from cleanup to "payback" of polluters who clean up the sites.

TUNA/DOLPHIN DISPUTE

This week we took a significant step toward resolving a long-standing trade dispute with Mexico over our import ban on tuna from Mexico caught with nets that incidentally kill dolphins. Mexico and ten other tuna-fishing countries agreed to negotiate a binding international agreement that will address the tuna-dolphin issue and we agreed to support legislation to amend U.S. law. We must amend the Marine Mammal Protection Act (MMPA) before we can lift our trade embargoes on tuna from Mexico, Venezuela, Panama, Colombia, and Vanuatu.

We are prepared to support legislative changes because the factual situation on which the MMPA dolphin protection provisions were based has changed drastically in recent years, largely as a result of a very successful voluntary program under the Inter-American Tropical Tuna Commission (IATTC) to reduce dolphin mortality. In the 1960s, as many as 500,000 dolphins were killed annually by tuna fisherman in the Eastern Tropical Pacific; as recently as 1989, it was more than 100,000 annually; but during 1993 and 1994 it has been reduced to about 4,000 annually. At an IATTC meeting in Panama this week, we agreed to strengthen the voluntary program and to incorporate it into a legally-binding instrument. Implementation of that instrument, however, is contingent on changes in U.S. law.

Earth Island and other animal welfare groups are strongly opposed to amending the MMPA, as is Senator Boxer, who co-authored the MMPA dolphin protection provisions when she was in the House of Representatives. However, Greenpeace, World Wildlife Fund, National Wildlife Federation, Center for Marine Conservation, and Environmental Defense Fund strongly endorsed this international initiative and have said publicly that they will support the envisioned amendments to the MMPA. We will continue our efforts to try to persuade Senators Boxer and Biden as well as Congressmen George Miller and Gerry Studds that the significant progress we have made internationally on reducing dolphin mortality merits changing our law.

Recycled Paper

TIMBER

Next week a decision will have to be made as to whether we will appeal a recent decision regarding the "Section 318" sales that were a subject of the rescissions bill. The argument for not appealing is that we can then move more quickly to release these sales and get them harvested. In the on going discussions I will argue strongly against this view. While superficially attractive, I believe there is a very significant risk that such a move will undermine the Forest Plan. If that happens the rescission bill will not lead to accelerated timber sales but rather a return to gridlock. As predicted, then, far from accelerating timber sales, the rescission bill will, in fact, have us enjoined once again.

(The "318 sales" at issue here are the remaining less than 2% of the sales originally outlined in Section 318. In part because of our reforms we have already sold nearly 98% of these sales. The remaining 2% have not been sold because they do pose a significant environmental threat.)

U.S./MEXICO BORDER ENVIRONMENTAL MAP

CEQ is leading federal cooperative efforts with Mexico to understand the extent and quality of the border natural resources by developing a common map of our transboundary environment. This map will provide the basis for cooperation and help ensure sustainable communities along the border.

THE PRESIDENT HAS SEEN
10-13-95

THE WHITE HOUSE

WASHINGTON

95 OCT 6 P2:33

October 5, 1995

MEMORANDUM FOR THE PRESIDENT
LEON PANETTA

FROM: RAHM EMANUEL

SUBJECT: WEEKLY REPORT

WELFARE:
The Liberal interest groups are beginning to focus their attacks on the welfare bill. We have shaped the stories to reflect the notion that these stories represent their response to Senator Moynihan's criticism.

Starting today we will begin to generate letters from moderate House Republicans, Women House members, and Local government Associations (Naco, The Conference of Mayors, et.al) in support of the Senate's approach to welfare. It should be our goal to make the Senate's bill the basis of discussion.

In addition to these letters, we are preparing material for your interview with columnists at the end of the week, a letter from you to the Blair House participants, and for Leon's call to Senator Dole.

We are also initiating staff briefings for the conferees and relevant members.

CRIME:
After last weeks victory on the Cops program (the Senate did not block grant the cops program), we have focused our attention to an upcoming story in the New York Times on the Administration's effort to combat Youth Violence.

Fox Butterfield, the lead reporter for the Times on Criminology, has recently written a book on youth violence. I prepared a letter from you to him on his book. He will be appearing on Oprah on the 14th of this month to talk about his book. He is fascinated by your work on youth violence and how to combat it. He was taken with the notion that from a dinner with criminologist you directed the Attorney General to sponsor 10 pilot projects on different strategies. He will be in St. Louis on Monday to file the story.

If the story runs next week it will help create a good environment for the annual gun free school report due on the 20th. According to a preliminary report, about 38 states adopted stronger measures on guns in school because of your threat to withhold federal money unless

they adopted a zero tolerance stand. I plan on meeting with DOE officials to coordinate the release for your maximum benefit.

One last comment relating to the cops program. We have been in touch with all the police groups to thank them for their steadfast loyalty in support of the cops program. Since then, the Sheriffs, Troopers, NAPO, and FOP have told Sen. Dole they will oppose any changes in the program and cannot support his crime bill.

IMMIGRATION:
This is turning out to be a real problem. Although we received good press on Gatekeeper and Operation Jobs, the INS does not want to do any more activities relating to Operation Jobs, and Gatekeeper is about to get a very bad article on its effectiveness.

I have been very clear with Doris that we have funded Operation Jobs, think it is a success, and expect her to continue to highlight its success. She is responding to criticism from immigration groups. I want her to highlight the success of turning those jobs over to U.S. citizens.

On Operation Gatekeeper, Mark Stern from the San Diego Union crossed over the border from Mexico one evening illegally with-out any hinderance. When he writes this article, he will destroy the credibility of our immigration policy.

The response is to steadily leak our new efforts over the week leading up to the anniversary. I have run into resistance from INS and Justice. In my honest opinion, Doris and Jamie need a real wake-up call that immigration policy cannot be run part-time.

DRUGS:
I am working with Justice and the Drug office on a policy announcement as it relates to drug testing. I will know by Monday if we have anything real to announce.

Agreed to keep working on this

THE PRESIDENT HAS SEEN
10-13-95

THE WHITE HOUSE

WASHINGTON

October 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
PHIL CAPLAN

SUBJECT: Recent Political Information Items

We have received the following recent political information items:

(A) **Filing dates for third parties.** From Harold. State by state list of number of signatures needed and deadlines for getting third parties on ballot.

(B) **Ickes memo on CityVote.** Forwards long memo from Don Fowler. Eight cities will definitely participate (Boulder, Colorado; Fayette, Missouri; Moscow, Idaho; Coeur D'Alene, Idaho; Minneapolis, St. Paul; Pasadena, Tucson). Six cities in Washington state (Spokane, Olympia, Tacoma, and three smaller cities) will participate if permitted. Thus, there could be 14 cities participating. There are three debates scheduled but only Lugar, Jesse Jackson and 3 minor party candidates have accepted. The ballot for participating cities will include all likely candidates.

(C) **DNC memo on anti-affirmative action ballot initiatives.** From Harold. Memo tracks initiatives and DNC will provide periodic updates. States covered in memo: California, Colorado, Delaware, Florida, Illinois, Massachusetts, Michigan, Nevada, Oregon, South Carolina, Washington State.

THE PRESIDENT HAS SEEN
10-13-95

THE WHITE HOUSE

WASHINGTON

95 OCT 5 P3:19

3 October 1995

MEMORANDUM TO THE PRESIDENT

CC: LEON PANETTA
JACK QUINN
MAGGIE WILLIAMS

FROM: HAROLD ICKES

RE: ANTI-AFFIRMATIVE ACTION PROPOSITIONS IN VARIOUS STATES.

Attached is a self explanatory 8 September 1995 memorandum to me from the DNC regarding the status of anti-affirmative action propositions in various states. The DNC is monitoring this on a regular basis and will provide updates.

September 8, 1995

MEMORANDUM FOR HAROLD ICKES
DOUG SOSNIK

CC: CHAIRMAN FOWLER
CHAIRMAN DODD
BOBBY WATSON

FROM: Minyon Moore &
Joe Sandler

SUBJECT: Anti-affirmative action propositions in various states

In response to your memo of August 16, 1995, following is a summary of the situation in each state in which there is currently some indication that an anti-affirmative action proposition may be placed on the 1996 general election ballot in that state. Please note that in a number of the states not listed here, where there is no current activity or proposal, there may still be time to get a proposition on the ballot. Accordingly, we will continue to monitor the situation nationwide on an ongoing basis.

I. ANTI-AFFIRMATIVE ACTION INITIATIVES

CALIFORNIA

Although four initiatives have been filed, only one is being taken seriously, as you know: the California Civil Rights Initiative, sponsored by Glynn Custred and Tom Wood and supported by various conservative groups and individuals.

The procedure for this initiative is as follows:

1. The proposed initiative is sent to the Attorney General to receive an official title and summary--the title and summary that will appear on the petitions and, if the petition drive is successful, ultimately on the ballot itself. Custred and Wood have sent their proposed initiative to Attorney General Lungren's office, where it is currently under consideration for assignment of the title and summary.

2. Once the title and summary are assigned by the Attorney General's office, that office notifies the Secretary of State of the approved title and summary. The date of that notification is the "official summary date."

3. The proponents then have 150 days from the official summary date to file with the county clerks the required number of signatures, which is 693,230, statewide.

4. Each county determines the total number of signatures and forwards that number to the Secretary of State. If the statewide total appears sufficient, the Secretary of State asks the county clerks to check the number of qualified voters who signed the petition, using random sampling.

5. If the number of qualified voters reported by the clerks exceeds 762,553, the petition is automatically qualified. If the number is below 658,569, the petition is automatically disqualified. If the number falls in the middle, the Secretary of State asks the county clerks to check every signature. These results are reported back and the Secretary of State then makes a final determination of whether the petition has been signed by the required number of qualified voters, and can therefore be placed on the ballot.

COLORADO

The "Equal Opportunity Repeal of Affirmative Action Initiative" has been proposed by Republican activists Scott Marian and John Nelson. It is based generally on the California model, i.e., it is a proposed amendment to the state constitution that would bar the state from considering race, ethnicity, etc., in public employment, education or contracting.

The form of the amendment has been approved by the office of legislative counsel. The next step is for the sponsors to submit the amendment to the Secretary of State's office. The Secretary of State then convenes a "ballot title setting board", including representatives of himself, the Attorney General and legislative counsel, to determine the official title and summary for the amendment (i.e., the title and summary that appear on the petition forms and ultimately on the ballot). This board holds a public hearing on what the title and summary should be; its decision can be appealed to the state Supreme Court.

Once this board has issued the official title and summary for the amendment, the sponsors have six months from the date of that issuance to collect and file with the Secretary of State 54,242 signatures statewide, in order for the amendment to appear on the November 1996 general election ballot.

DELAWARE

A proposed amendment to the state constitution, basically modeled on the California initiative, was introduced by GOP lawmakers in the state House this past spring but defeated in the House. The legislature then adjourned on June 30.

This or a similar measure could theoretically be introduced again in the 1996 session of the legislature which begins next January. Even if the measure were passed by the legislature, the Governor could veto it.

If the Governor did not veto or his veto were overridden, the measure would be placed on the ballot in 1996. If passed, it would then become effective only if passed again by a subsequent legislature.

FLORIDA

A proposed constitutional amendment to bar affirmative action in public employment, education and contracting has been proposed by a group called "Campaign for Florida's Future", headed by Anthony Martin, a gadfly perennial candidate who has run both as a Democrat and Republican in the past. It is anticipated that Martin's group will win support and assistance from more established conservative groups and activists.

Martin's group has obtained the required approval from the Secretary of State's office of the form of the petition, and is currently circulating petitions.

In order for the amendment to appear on the November 1996 general election ballot, two basic steps are required:

(1) the group will have to collect and file with the county supervisors of elections, by August 6, 1996, a total of 429,428 signatures statewide, including at least 8% of the registered voters in at least 12 of the state's 23 congressional districts.

(2) the Florida Supreme Court must issue an advisory opinion to the effect that the text of the amendment complies with constitutional and statutory requirements. In order to obtain that opinion, at the point where the group has collected at least 42,948 signatures (10% of the required statewide total) from at least three congressional districts, it must submit those names to the county supervisors. The Secretary of State then submits the proposed amendment to the Attorney General, who then requests an advisory opinion from the Florida Supreme Court. There is no time by which the Supreme Court must act once it receives a request from the Attorney General, and it is not uncommon for initiatives to miss being placed on the ballot because the Supreme Court has not acted in time.

ILLINOIS

Reportedly William Kelly, an unsuccessful Republican candidate for Congress in Chicago in 1994, has begun to circulate petitions to put an advisory question on affirmative action on the ballot in

1996.

Neither the text of such an initiative nor the form of petition requires any prior approval from election authorities, so the exact formulation of the question is unknown.

In order to get such a question on the ballot for the November 1996 general election, the sponsor must submit petitions with approximately 621,000 signatures to the Secretary of State on or before May 6, 1996.

MASSACHUSETTS

A group of GOP conservative activists (Avi Nelson, Jeff Jacoby, Royal Switzler, etc.) have originated an initiative petition to amend state law to prohibit the state from using race, ethnicity, etc. as a criterion for granting preference to anyone in state education, employment or contracting.

This group has obtained the necessary approval from the Attorney General of the substance of the initiative and will in the next few days obtain the required petition forms from the Secretary of State's office and begin collecting signatures.

In order for the initiative to appear on the November 1996 ballot, this group would have to file 64,928 signatures with the local registrars for certification of validity by November 22, 1995 (except November 27, 1995 in Boston). No more than 16,232 signatures may come from any one county. Once the petitions are certified, the sponsors must file the certified petitions with the Secretary of State by December 6, 1995.

It is considered likely that this group can collect the necessary number of signatures for their anti-affirmative action initiative.

Once the signatures have been filed with the Secretary of State, the petition is submitted to the legislature. The legislature has until May 1, 1996 to approve the petition, by majority vote. The petition also requires the Governor's signature.

If the measure is not effectively enacted (i.e., the legislature fails to act, rejects the measure or the Governor vetoes it but the legislature fails to override the veto), the sponsors can then cause the initiative to be placed on the November 1996 general election ballot by filing an additional 10,821 signatures (no more than 2,705 from any one county) with the local registrars, for certification, by June 19, 1996 (June 24 in Boston).

MICHIGAN

A Republican state house member, Rep. David Jaye, has introduced in the state house a proposed constitutional amendment, House Joint Resolution "L", to ban affirmative action programs in state government, bar minority set-asides in state contracts and bar private firms receiving any state grant or benefit from conducting affirmative action programs.

In order for the proposed constitutional amendment to get on the ballot, it would have to be approved by 2/3 of the members of the State House and 2/3 of the members of the state Senate.

In order for the proposed amendment to appear on the November 1996 general election ballot, the legislature would have to approve the amendment, by these supermajorities, on or before September 6, 1996.

If that were to occur, the Board of State Canvassers would then, after holding an open meeting, determine the official title and summary of the amendment that would actually appear on the ballot.

NEVADA

Hal Furman, unsuccessful GOP candidate for U.S. Senate in 1994, has reportedly threatened to put an anti-affirmative action initiative on the ballot in 1996.

In order to qualify a constitutional amendment to appear on the November 1996 general election ballot, the sponsor would have to file with the county clerks on or before June 18, 1996 a total of 38,658 signatures statewide, including at least 10% of the total votes cast in at least 13 of the 17 counties in the 1994 general election.

OREGON

A group of conservative activists called Oregonians for Equal Rights has filed seven proposed constitutional amendments, all modeled on the California initiative but differing in particular details and technical respects.

The main elements of the procedure are:

1. A proposed amendment is filed with the Secretary of State.

2. The Secretary of State forwards it to the Attorney General, who determines an official title and summary for the

amendment, after a period for public comment.

3. The sponsor then submits a proposed cover page and form of signature sheet for approval by the Secretary of State.

4. Once these forms are approved by the Secretary of State, the sponsor can circulate the signature sheets.

5. A total of 73,261 signatures, statewide, must be filed with the Secretary of State by July 5, 1996, in order for the proposed amendment to appear on the November 1996 general election ballot.

Of the 7 proposed amendments, one has received an official title and summary, but the cover page and form of signature sheet have not yet been approved.

A second amendment received a title and summary, but the Attorney General's determination of title and summary has been appealed to the state Supreme Court.

The remaining five were filed with the Secretary of State on August 16, 1995. These five are still being reviewed by the Secretary of State and have not yet been forwarded to the Attorney General's office for a determination of official title and summary.

SOUTH CAROLINA

Three bills have been introduced in the state legislature to amend the state constitution to prohibit the state from using race, ethnicity, etc. to discriminate against or grant preferential treatment to any individual (SB 855, SB 856 and HB 3812).

The legislature adjourned on June 1, 1995 with these bills still pending in the judiciary committee of each chamber. These bills will continue to be pending before these committees when the legislature reconvenes in 1996; they do not need to be re-introduced.

In order to appear on the November 1996 general election ballot, a proposed constitutional amendment would have to be approved by 2/3 of the members of each of the House and Senate before the next session of the legislature adjourns on June 1, 1996.

If a majority of the voters approve the amendment, it would then have to be ratified by a majority of the members of each of the state House and Senate in the 1997-98 session.

WASHINGTON STATE

A Christian Coalition activist and former professor named Ron Tabor, who ran and lost last year for state GOP chair, has sponsored Initiative No. 172, to amend state law to end racial and ethnic preferences in state programs.

The sponsors must collect and file 181,667 signatures with the Secretary of State by December 29, 1995.

If they do so, the petition is submitted to the 1996 session of the legislature. If the legislature fails to enact the measure before the end of its regular session (end of April 1996), the measure will appear on the November 1996 general election ballot. If the legislature passes a different or amended measure dealing with the same subject, both measures will appear on the ballot.

II. WILSON RECALL PETITION

Your memorandum also asked about the status of a petition to recall Gov. Wilson.

Although the Rainbow Coalition has publicly threatened to initiate such a petition, neither it nor any other group or individual has taken any steps to do so.

The process would begin with the filing of a letter to the Governor, stating the reasons for the proposed recall. The Governor would have a period of time to respond. The sponsoring group would then draw up petitions stating the reasons for the recall and summarizing the Governor's response.

This information would be put into an official title and summary form and then permission to circulate petitions would be obtained from the authorities.

Approximately 1.2 valid signatures would have to be collected to force a recall.

THE PRESIDENT HAS SEEN
10-13-95

95 OCT 5 P3:20

3 October 1995

MEMORANDUM TO THE PRESIDENT
THE VICE PRESIDENT

CC: LEON PANETTA
MAGGIE WILLIAMS
JACK QUINN
DOUG SOSNIK
STEVE RICCHETTI

FROM: HAROLD ICKES

RE: 1996 DEMOCRATIC NATIONAL CONVENTION- "PRODUCTION"

Attached is a self explanatory 26 September 1995 memorandum to The President and Vice President from Debra DeLee, which she asked me to transmit. It focuses on the "creative team" for the 1996 Democratic National Convention.

Lets Discuss.

cc: Susan Thomases

DNC96
CHICAGO

DEBRA DELEE, CEO

MEMORANDUM for the PRESIDENT
VICE PRESIDENT

FROM: Debra DeLee, CEO DD
DATE: September 26, 1995
RE: 1996 Democratic National Convention

The Democratic National Convention will provide an opportunity to communicate the accomplishments of this Administration and deliver a clear and concise Democratic message to the nation.

Convention planning can be divided into four distinct spheres:

The first is logistics and operations. This encompasses everything outside the convention hall: transportation, hotels and housing, security, the "science" of credentialling and volunteers.

The second sphere is communications. This includes message & theme development for the convention, delivering that message to the national and international media, media arrangements and logistics.

The third sphere is production, both the creative and technical elements. It is basically everything inside the hall: the content of the program, the balance between business meetings, speakers and entertainment, as well as construction and design of the hall.

And the final sphere is the political aspect of putting on a national nominating convention: coordination with the White House, the DNC, the City of Chicago, state and local elected officials, the Democratic leadership in Congress, international dignitaries and the "art" of credentialling.

This memo will specifically address the third sphere and my recommendations for the creative team to deal with what I call our "4 day mini-series."

DEMOCRATIC NATIONAL CONVENTION
P.O. BOX 641196 • CHICAGO, IL 60664-1196 • TEL (312) 832-1996 • FAX (312) 832-2515

I recommend the following elements of an overall creative team:

I. Creative Council

The creative group, which had one initial meeting in May with the First Lady, should continue to serve as the ultimate creative team for the convention. I will refer to them as the Creative Council. This group includes, Secretary Ron Brown, Harold Ickes, Jack Quinn's successor, Maggie Williams, Chairman Don Fowler, Harry Thomason, Susan Thomases, and me. We should also include the producer of the event.

II. Internal Staff

Rick Jasculca will be joining our team as Deputy CEO. Currently, Rick is President of Jasculca/Terman a public relations/public affairs firm. Jasculca/Terman has extensive experience with marketing campaigns, media tours, news conferences, communications management, speech writing and media training. Rick also has spent a significant amount of time doing White House advance, particularly for the First Lady and was lead advance for the Summit of the Americas.

In his role as Deputy CEO, he will oversee communications, media arrangements, production, satellite news, technology and the hall.

I recommend that we hire Gary Smith as our television producer. Gary is highly endorsed by both Don Fowler and Ron Brown who worked closely with him in 1988 and 1992 as well as by Harry Thomason, Susan Thomases and Mike Berman. Producing a special "show" like our convention requires a unique talent and is very different from producing movies or sitcoms. Gary has had much success in this genre including the Barbra Streisand Special (for which he just won an Emmy), the Disney Teacher Awards and the 1988 and 1992 Democratic Conventions. I am also impressed with Gary's understanding of our "culture" and the uniqueness of producing a convention when we have the White House.

I expect that Gary will want to bring with him the team that he assembled for that last two conventions -- Ricky Kirshner and others. This team also comes highly recommended.

Rene Lagler has been hired as our Production Designer. He worked on both the 1988 and 1992 conventions. Rene has been working closely with the construction firm of Stein & Co. on the possible design of the facility. Rene has produced a model of his design for the stage/podium and it has received kudos from Harold Ickes, Don Fowler, Harry Thomason and Susan Thomases.

Mike Berman, Michael Sheehan, Bob Healey, Jim King and others should be utilized during the convention in roles similar to those that they performed at previous conventions related to podium and speakers.

III. External Creative Advisors

Under the direction of Harry Thomason, a group of creative individuals who have been supportive of this Administration, such as Steven Speilberg and Rob Reiner, should be identified and asked to serve as creative advisors. This group may not ever be convened as a working body but they should be called upon for advice, ideas and creative capital.

There are also a number of consultants who need to be involved early on in the message, production and logistical arenas and who will eventually have very specific roles as the convention approaches. They should include but not be limited to, Jeff Eller, David Axelrod (Chicago-based), Mort Engleberg and Mike Berman.

These three elements, the Creative Council, Internal Staff and External Creative Advisors should make up the overall creative team for the convention. They will work closely with the White House and Re-elect as deemed appropriate by Harold Ickes.

The convention should be the perfect vehicle to celebrate and showcase the accomplishments of this Administration as well as officially kick-off the re-election campaign. To continue moving forward, the following items should be addressed as soon as possible:

1. Final approval on Gary Smith
2. Final approval of the design for the stage/podium
3. Convening the next meeting of the Creative Council with the First Lady

On a personal note, I am both honored and thrilled to be serving in this position. I take this opportunity very seriously and appreciate any response and reaction to these recommendations.

cc: Don Fowler
Harold Ickes
Jack Quinn
Maggie Williams

THE PRESIDENT HAS SEEN

10-13-95

The Arkansas REPORTER

McCurry
GS
NScott
FYI -
(Over)

The observation that wasn't

Whipping up a frenzy in Sheridan over gay history.

BY BOB LANCASTER

SHERIDAN—The weekly Sheridan Headlight ran a front-page news story last week to report a non-happening.

The Sheridan and Poyen school districts, it said, would *not* be observing Gay-Lesbian History Month in October.

The National Education Association recently called on teachers "in every school district of the U.S. to observe Gay-Lesbian History Month," the Headlight article said, but Sheridan and Poyen schools have decided they "will not participate in the month-long event."

In an unusual departure, Kristin Campbell, the reporter who wrote the by-lined article for the Headlight, also wrote a letter-to-the-editor that ran on page 2 of the same issue praising the schools for spurning the "celebration" of homosexuality.

In her letter, Campbell wrote:

"I am glad we live in a community and a county...where such acts are still believed to be morally wrong and where Christian beliefs held by parents are passed on to our children without being exposed to such filth."

The chance of exposure to such "filth" was actually non-existent, the scare about gay rights observances in the school a product of a campaign by a conservative political group. How the story came to light in Sheridan is typical of the grassroots impact of the group's politics.

In a telephone interview, Campbell, who has worked as a reporter at the Headlight for two and a half years, said "a lady who works at one of the banks here" sent the Headlight a clipping warning that the NEA was trying to promote homosexuality in the schools. At the same time, she said, the youth minister of a local church telephoned the paper to express concern about the same matter. Campbell said she was told by the publisher to write a story about the issue.

Campbell said she had no personal opinion about the matter, and that she wrote the letter to the editor in addition to her news story. She said she had a 5-year-old son who attends school at Sheridan.

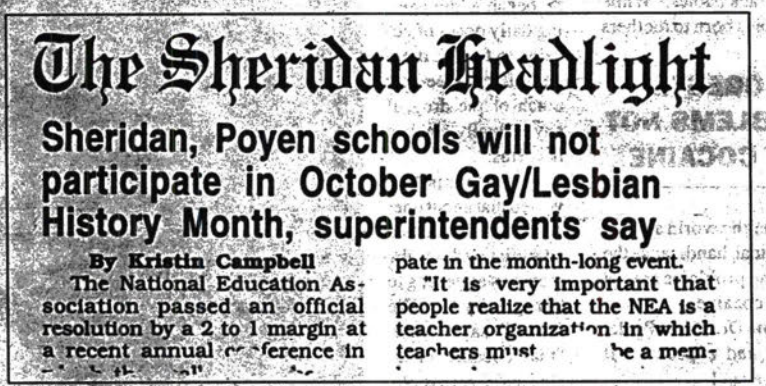
"Homosexuality is something down here at Sheridan that's just not acceptable," she said.

David Robinson, superintendent of Sheridan schools, said there had been no pressure or encouragement from the National Education Association or from anyone else to promote observances in the school there concerning homosexuality or homosexuals.

He had received a number of "concerned inquiries" that the school might sponsor such an observance, though, and he said this concern was apparently prompted by the circulation locally of a clipping about the NEA from a national publication. Local religious groups circulated the article, he said.

"There's a perception that the NEA represents all teachers and that teachers will automatically follow their recommendations," he said, "and of course that's just not the case."

He said Sheridan schools don't have sex-



The Sheridan Headlight

Sheridan, Poyen schools will not participate in October Gay/Lesbian History Month, superintendents say

By Kristin Campbell

The National Education Association passed an official resolution by a 2 to 1 margin at a recent annual [illegible] in

pate in the month-long event.

"It is very important that people realize that the NEA is a teacher organization in which teachers must [illegible] be a mem-

IT'S A "FANTASY" THAT THE NEA IS PROMOTING THE OBSERVANCE OF GAY-LESBIAN HISTORY MONTH IN THE PUBLIC SCHOOLS.

said it's a "fantasy" that the NEA is promoting the observance of Gay-Lesbian History Month in the public schools.

He said the Concerned Women of America, "a right-wing extremist organization...with ties to the Christian Coalition," was using the allegation against the NEA as a fund-raising device.

In an AEA policy statement, Ledbetter said: "Neither NEA nor the AEA has ever called for October to be Lesbian and Gay History Month nor is the NEA distributing materials for school use in such an observance. Finally, the Arkansas Education Association has never had any plan to organize or establish Lesbian and Gay History Month."

The statement said the Concerned Women for America and other "anti-public education groups" had seized upon a single line in an addendum approved by the NEA in July to an existing resolution "recognizing the contributions of gay and lesbian persons."

The resolution, Ledbetter said, didn't call for the observance of a Gay Lesbian History Month, didn't "promote or encourage a gay or lesbian lifestyle."

The clipping that caused the stir at Sheridan probably was one that came in a package of fund-raising materials sent out by the Concerned Women for America, Ledbetter said. He provided a copy of the clipping, which was accompanied by a letter signed by Beverly LaHaye of the Concerned Women For America asking people to send postcards to the NEA and to Congress informing them "that you are not going to allow pro-homosexual programs to be forced on children in your schools."

"And as you sign and return your postcards, please include your gift (to the CWA)."

THE WEEK THAT WAS

TEMBER 28 – OCTOBER 4, 1995

WAS A GOOD WEEK FOR...

COMMON CAUSE, which, single-handedly, is keeping up the pressure for true public input into the ing of a new constitution. **Gov. Jim Tucker,** laboring to keep the spe- interests happy, doesn't like the of a constitutional convention con- led by popularly elected delegates.

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The Arkansas REPORTER

The cocaine baby myth

A study at NCTR challenges assumptions of harm.

BY MARA LEVERITT

If a mother is properly nourished and healthy, but takes cocaine during pregnancy, the drug does not appear to harm her baby unless it's taken in very high amounts.

That is the surprising conclusion reached by scientists at the National Center for Toxicological Research, the federal testing laboratory in Jefferson County. For five years scientists there have been testing the effects of cocaine on pregnant monkeys and their babies.

For humans, the NCTR results undercut popular supposition about the effects of cocaine on so-called "crack babies." While it is clear that many babies born to mothers who abuse cocaine enter the world at-risk, with severe physiological handicaps, the study suggests that those problems are not caused directly by the cocaine.

STUDY SUGGESTS BABIES' PROBLEMS NOT CAUSED BY COCAINE

It was not the outcome Dr. Merle Paule, the project's director, had expected. "It totally surprised us," he said.

"We've looked at babies being bathed in cocaine in utero, and what we're finding is that if the mother is otherwise healthy, as our animals are, the drug doesn't appear that disruptive."

So how to explain the often terrible effects seen in human babies who are born to mothers who've been abusing cocaine, especially premature birth and accompanying low birthweight?

Paule theorizes the problem with humans is that using cocaine leads to other risky behaviors. Pregnant women who use cocaine tend to become indifferent to proper nutrition and prenatal care, while increasing their consumption of alcohol and tobacco—all activities well known for their potentially adverse effects on a fetus.

Paule and other researchers now believe it is the cumulative, indirect effect of those behaviors that denies babies a normal development. The chemicals in the cocaine itself, his study suggests, have

When cocaine is withdrawn from the animals, he said, "We do not see any adverse effects."

Paule conducted the experiment using Rhesus monkeys, primates whose physiology closely resembles that of humans. Working under funding from the National Institute on Drug Abuse, he began administering daily doses of cocaine to female monkeys, first to see how much of the drug, if any, actually reached the fetus.

Blood tests revealed that about one-third of the cocaine administered to the mother was getting to her baby. "We found," says Paule, "that cocaine virtually sails across the placenta."

Next, Paule divided his test monkeys into three groups. One received a daily high dose of cocaine—the human equivalent of about one-fourth of a gram per day; another was given about a third that amount; and the third, control group, received no cocaine at all.

The scientists wondered whether the monkeys, particularly the ones receiving the high dose, could even carry their pregnancies to term.

All did. More amazingly, none of the babies was born prematurely and all were normal in measurements of reflexes, body length, and head size, a measure which is believed to correspond with brain development.

With subsequent funding, Paule took the experiment further, beginning the administration of cocaine before the mon-

STUDY SUBJECT: Researchers studied Rhesus monkeys such as this one at NCTR for the effects of cocaine on pregnant mothers and their offspring.

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Only when Paule pushed the doses of cocaine to what he called "high, unusually strident exposure levels" (the human equivalent of up to 1.5 grams per day), did he begin to see negative effects. Babies were born significantly smaller and shorter than normal with smaller-than-normal heads. At those doses, Paule found, "the cocaine was a problem, in and of itself."

As the infants bred in these experiments grew, Paule began studying how they perform. "Most of our efforts now are trying to assess how these animals use their higher

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He's optimistic some funding source will be found, mainly because of the tremendous impact cocaine is having on the country, and the number of children being born to users.

Cocaine is now estimated to have been used by about 10 percent of the U.S. population, with about 5 million of that number deemed to be regular users. Besides warning women about the hazards of abusing cocaine, Paule believes his findings can bring

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THE PRESIDENT HAS SEEN

10-13-95

The Arkansas REPORTER

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FYI-
(cover)

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SEPTEMBER 28 — OCTOBER 4, 1995

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The observation that wasn't

Whipping up a frenzy in Sheridan over gay history.

BY BOB LANCASTER

SHERIDAN—The weekly Sheridan Headlight ran a front-page news story last week to report a non-happening.

The Sheridan and Poyen school districts, it said, would *not* be observing Gay-Lesbian History Month in October.

The National Education Association recently called on teachers "in every school district of the U.S. to observe Gay-Lesbian History Month," the Headlight article said, but Sheridan and Poyen schools have decided they "will not participate in the month-long event."

In an unusual departure, Kristin Campbell, the reporter who wrote the by-lined article for the Headlight, also wrote a letter-to-the-editor that ran on page 2 of the same issue praising the schools for spurning the "celebration" of homosexuality.

In her letter, Campbell wrote:

"I am glad we live in a community and a county...where such acts are still believed to be morally wrong and where Christian beliefs held by parents are passed on to our children without being exposed to such filth."

The chance of exposure to such "filth" was actually non-existent, the scare about gay rights observances in the school a product of a campaign by a conservative political group. How the story came to light in Sheridan is typical of the grassroots impact of the group's politics.

In a telephone interview, Campbell, who has worked as a reporter at the Headlight for two and a half years, said "a lady who works at one of the banks here" sent the Headlight a clipping warning that the NEA was trying to promote homosexuality in the schools. At the same time, she said, the youth minister of a local church telephoned the paper to express concern about the same matter. Campbell said she had been told by the lady that the clipping had been circulated by the Concerned Women for America.

BY GS

Nice & very
good - soon

BC

THE PRESIDENT HAS SEEN
10-13-95

Journal

FRANK RICH

THE PRESIDENT HAS SEEN
1073-95

Why Foster Lives

On Sunday night Mike Wallace of "60 Minutes" proved once again that, yes, Vincent Foster *did* commit suicide in Fort Marcy Park, Virginia, in July 1993.

As news goes, this story is only slightly more shocking than dog-bites-man. Among the others who have judged the Foster death a suicide are two Congressional committees run by Republicans, the F.B.I., Foster's own family, the Fairfax County Medical Examiner and the first of the Whitewater independent counsels, Robert Fiske.

So why did Mr. Wallace even bother to investigate? There is less evidence to support the supposition that Foster's death was a homicide than there is to prove that Nicole Brown Simpson was murdered by Colombian drug dealers. But as Mr. Wallace explained, facts aren't the issue in the incredible Foster murder case — public opinion is. Despite all the official findings, polls show that two-thirds of Americans still remain unconvinced that Foster killed himself. And so "60 Minutes" dutifully deflated the more widely circulated conspiracy theories, with Mr. Wallace even demonstrating on himself how the blood Foster spilled was consistent with a self-inflicted bullet wound to the head.

End of story? Not quite. Before we try once again to lay Vince Foster, poor man, to rest, it's worth looking at exactly why these cockamamie scenarios about his demise have had such a long and widespread shelf life. It's not because they're plausible. It's not because the American people are so credulous — or mindlessly "anti-government" — that they see an Oliver Stone plot behind every official corpse, however obscure. No, the real story here has to do with money, and the power of money to spread noxious propaganda throughout the body politic.

In this case, the money belongs to a little-known man often described as "reclusive" — Richard Mellon Scaife. An heir to the vast Mellon fortune with a net worth estimated by Forbes at $800 million, Mr. Scaife plays a role in several family foundations that have for decades contributed huge sums to right-wing causes and think tanks. He also is the owner of a small newspaper near his hometown of Pittsburgh, The Tribune-Review, which just happens to be the only daily in the country persistently floating theories of a Foster murder and cover-up.

Since it's not exactly easy to find The Tribune-Review on your local newsstand — and since no reputable news organization, conservative ones included, takes the paper's Foster reportage seriously enough to reprint it — Mr. Scaife finds other ways to spread the "news." For well over a year now, papers stretching from The Washington Post to The Los Angeles Times have run costly full-page ads reiterating The Tribune-Review's findings. The ads are placed by a nonprofit California organization calling itself the Western Journalism Center. What the ads don't say is that the Western Journalism Center is a recipient of Scaife foundation largess.

Who else gets money from one Scaife foundation or another? As The Arkansas Democrat-Gazette reported two weeks ago, the list includes the magazine The American Spectator and the organization Accuracy in Media, both of which also keep the Foster story simmering, as well as

A checkbook conspiracy.

the National Taxpayers Union, whose chairman, James Dale Davidson, fans The Tribune-Review's Foster flames in both a newsletter and a widely merchandised videotape.

Mr. Wallace did an expert job of finding errors in that videotape on "60 Minutes." But perhaps not even the CBS of old — let alone the enfeebled CBS of today — could counter an extravagantly funded, multimedia disinformation campaign assaulting Americans from all sides under a variety of "journalistic" rubrics. According to the magazine Christian Century, the Scaife fortune is filtered into outlets as various as NET, the conservative TV channel, and 70 conservative college newspapers.

None of this is illegal, of course. In America, those who hate a President have the right to spend every last penny to try to tar him with the death of a close aide. But in the end the strange case of Vincent Foster may say less about either Bill Clinton or his political nemeses than it does about the power of anyone with an unlimited checkbook to roil national opinion about any issue without ever letting voters see who's pulling the strings. □

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

11-Oct-1995 09:48am

TO: Nancy V. Hernreich

FROM: Jock Gill

THE PRESIDENT HAS SEEN
10/12/95

SUBJECT: Congratulations

cc: VP / Bill

Mr. President,

Congratulations on your 20th!

Kudos for yesterday's press conference on

REMARKS BY THE PRESIDENT
IN ANNOUNCEMENT OF TECHNOLOGY LEARNING GRANTS

The Roosevelt Room

The very first computer software program my company created back in 1982 was an educational program called Delta Drawing. It is still selling today.

I saw in Monday's Boston Globe that the younger Japanese generation is flocking to your Welcome to the White House web site because it is "kawaii" [cool]. The Socks meow is especially "kawaii".

Speaking of W2WH, which was first released last October 20th, there is now a solid draft of the next release - version 2 - and the authors are hoping to be able to show it to you for your comments and suggestions BEFORE it is released to the public later this fall.

And finally, I am certain there are a number of interesting connections between Robert E. Lucas' theory of 'rational expectations of the individual' and the whole bottom-up internet phenomena. Perhaps something like:

The internet is to broadcast communications as Lucas is to Keynes.

This last point is another reason why yesterday's educational announcement is so important. It also suggests some ideas about communications and the 1996 process.

Johanna and I are looking forward to seeing you this evening.

Best regards,

Jock

Jonathan P. Gill
Penfield Gill, Inc.

Jack probably talked to
you about this last
night -

10/12/95
copies to
Mikva, Kagen,
GS, Panetta, Griffin
& exec clerk

THE WHITE HOUSE

WASHINGTON

October 11, 1995

THE PRESIDENT HAS SEEN
10/11/95

MR. PRESIDENT:

The attached memo from Ab Mikva and Elena Kagan considers whether you should endorse the idea of a national commission to study gambling. Rep. Frank Wolf and Senators Simon and Lugar have introduced bills to establish a nine-person commission (three appointees each from President, Speaker and Senate Majority Leader) to study the effects of gambling and the adequacy of current regulation.

Gambling has fast become an enormous industry, with casinos operating in 25 states and legal wagering up 1800% since 1976 to some $330 billion.

The bills are strongly supported by the Christian Coalition as well as many Members of Congress and newspapers with no links to that group. Opponents include the Nevada and New Jersey delegations and the American Gaming Association. The Indian Gaming Association has indicated it wouldn't oppose the bills if an Indian tribal representative were on the Commission and lotteries were covered.

Ab and Elena recommend that you endorse the Commission idea. George, Carol Rasco and Rahm concur. George urges that you send letters to Wolf, Simon and Lugar saying that you'll sign legislation passed by Congress.

Approve ✓ Disapprove___ Discuss___

I want to see the letters first

Todd Stern

THE PRESIDENT HAS SEEN
10/11/95

THE WHITE HOUSE

WASHINGTON
October 5, 1995 95 OCT 11 A10:32

MEMORANDUM FOR THE PRESIDENT

FROM: ABNER J. MIKVA AJM
Counsel to the President

ELENA KAGAN EK
Associate Counsel to the President

THROUGH: LEON PANETTA, GEORGE STEPHANOPOULOS

SUBJECT: PROPOSAL FOR NATIONAL GAMBLING COMMISSION

Rep. Frank Wolf (R. Va.) and Sens. Paul Simon and Richard Lugar have introduced bills to establish a federal commission to study the extent and effects of gambling and the adequacy of current regulation. Rep. Wolf's bill was the subject of a hearing in the full House Judiciary Committee last week. No action has yet been taken in the Senate.

Both bills would establish a commission of nine persons, three to be appointed by the President, three by the House Speaker, and three by the Senate Majority Leader. The bills charge the commission with undertaking a study of gambling in the United States, including the economic effects of gambling on other businesses and surrounding communities, the relationship between gambling and crime, the extent and impact of pathological gambling, and the costs and effectiveness of current regulatory policy.

Supporters of the proposal note that it does not impose any new restrictions on gambling, but merely recognizes the need for greater information on the scope and effects of the gambling industry. Gambling is one of the fastest growing businesses in the nation. One recent study found that $330 billion was wagered legally in 1992 (including in lotteries), up 1800% since 1976. Casinos now operate in 25 states, and in 1993 Americans made more trips to casinos than to major league baseball parks. As you said at the Sperling lunch, the introduction of gambling in a community, though providing a quick way to raise revenues, may impose hidden social, economic, and political costs, including those associated with corruption, crime, and addictive behavior. Supporters of these bills argue that we should take a hard look at such matters to ensure sensible regulatory policy.

Opponents of the proposal allege that it is a sort of stalking horse for the religious right -- a first step in a moralistic effort to prohibit gambling altogether. (The Christian Coalition is indeed a fervent supporter of this legislation, but so are many representatives and newspaper editorial writers not associated with that organization.)

Opponents also claim that a national commission will serve little purpose because conditions vary so much from state to state and community to community; sometimes opponents go so far as to frame this argument in terms of "states' rights." Finally, of course, opponents dispute the notion that gambling is linked to corruption or crime and claim it is a boon to local economies.

The only groups so far to oppose the legislation are industry associations, including most prominently the American Gaming Association, headed by Frank Fahrenkopf, former Chair of the RNC. The National Indian Gaming Association, which believes gaming by Indian tribes to be essential to tribal economic development, has indicated that it would not oppose the bills so long as the Commission includes an Indian tribal representative and addresses state lotteries as well as other forms of gambling. Senators and representatives from Nevada are vehement in their opposition to the bills; those from New Jersey, though less openly hostile at this time, may be subject to similar pressures. Finally, state governments may oppose the proposal if they believe it represents a threat to state lotteries.

Recommendation

We recommend that you endorse the idea of a commission to study gambling. Such a commission can perform a useful function in collecting information about the effects of gambling and thus enabling better decisions -- whether on the federal, state, local, or tribal level -- as to appropriate regulation. To the extent formation of such a commission suggests a sort of moralistic discomfort with gambling, this may be perfectly appropriate. We thus believe an endorsement of a national gambling commission is warranted.

1.__ Oppose the creation of a gambling commission
2.__ Take no position on the creation of a gambling commission
3.__ Endorse the creation of a gambling commission
4.__ Let's discuss

McCurry - good morning. THE PRESIDENT HAS SEEN
10-12-95
BK

From the Assistant Editor

One brief shining moment

Attending the Red Mass last Sunday for me, a mature man who sometimes thinks he's seen everything, was a thrilling experience. Not in the usual way but in a way we don't experience very often in this country because of the separation of church and state.

Those of us fortunate enough to witness it saw the head of the Archdiocese of Washington talk to our country's judiciary system, our President, and some of the Cabinet members in a direct and meaningful way, one that we seldom witness. Cardinal James Hickey emphasized the place of religion in our society at one of the most important times too. He took the opportunity to talk about religious rights at a time when people of secular attitudes would just as soon take the benefits people of religious principles and good will offer them and skip the religion.

The cardinal gave his message firmly, clearly and graciously. Afterward the cardinal escorted the President to the front door. The sight of the two men and young Chelsea Clinton beaming brightly was one of the most harmonious one could imagine. It was a moment when men are transfigured by their offices. Here was the church and state co-existing in a world where values and laws don't always coincide. It was a truly spiritual moment to see the heads of church and state take that walk down the aisle. A feeling of electricity ran through the congregation. Diplomats, the many lawyers in Washington, the government officials all saw it.

It is not often at all that we see purely ritualistic moments in this country that signify our patriotic and religious values. That moment was one of the rare ones. It is no wonder that people began applauding so spontaneously. It was worth applauding. It was a day full of good messages both from the John Carroll Society which sponsored the Mass and provides good works, and from church and state which gave a good example to the world.

Former British Prime Minister Margaret Thatcher is the latest political power to assert that Pope John Paul II played a major role in the dissolution of communism and the Soviet empire.

A leading anti-communist when she was in power, Mrs. Thatcher refers to the pontiff and her experiences in Poland in her memoirs, The Path to Power." She refers to his election as one that would "fire a revolution in eastern Europe which shook the Soviet empire to its core." Numerous politicians have credited the pontiff, who is in the United States this week, with bringing the downfall of communism.

Raised a Methodist, Mrs. Thatcher also recalls her envy of Catholics in her hometown of Grantham, Lincolnshire, England. As a child she recalls how "lighthearted" the Catholic girls were and how she envied them making their First Communion.

Mrs. Thatcher also recalls how impressed she was at a Mass in Warsaw merking the 50th anniversary of the Warsaw Ghetto uprising. She remembers how eloquent the priest was, how she became the focus of attention, and how the children presented her with flowers afterward. They are touching recollections that remind us just how powerful and charismatic Pope John Paul II is. His visit to the country has become a general celebration rather than an event limited only to Catholics, making it truly a catholic event, in a manner of speaking.

Gerard Perseghin

Catholic Standard
ARCHDIOCESE OF WASHINGTON

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THURSDAY, OCTOBER 5, 1995

THE PRESIDENT HAS SEEN
10-12-95

=> MR BERGER

The Washington Post

AN INDEPENDENT NEWSPAPER

Kenneth Flamm

Export Controls on the Uncontrollable

The issue of controlling supercomputer exports is on the Washington front burner this week as the government moves toward a new policy on licensing overseas sales of powerful computers. Dealing with today's rapid and revolutionary advances in computing technology has been particularly difficult for those critics of administration policy who primarily view computers as essential for advanced armaments and not as ubiquitous components of everyday life.

The problem is illustrated well by the $2,400 personal computer I just purchased from a clone dealer. My technically unsophisticated dealer builds systems made from Chinese cases and power supplies, Taiwanese circuit boards, Taiwanese and Korean memory and logic chips, Korean monitors and disk drives manufactured in Singapore, Taiwan and Thailand. Only the essential heart of the system—the Pentium computer chip sold around the globe in the tens of millions—must be purchased from a U.S. supplier.

Two years ago, when I served as a Pentagon official, the machine my dealer assembled was subject to rigorous and costly export controls. (With a more expensive circuit board, I would have had a "supercomputer" and real problems.) It was hard then to see how trying to restrict exports of machines that a gifted junior high school graduate in India or Singapore could put together from off-the-shelf, widely available, uncontrollable components did anything for our national security. In fact, export controls on the uncontrollable seemed downright counterproductive. They were more likely to hinder U.S. companies in foreign markets (more than half their sales), erode the technological dominance of the U.S. computer industry and create protected overseas markets in which sheltered foreign competitors could ultimately challenge the technological advantage on which so much of our strategic posture relies.

Defense Secretary Bill Perry assigned a team of officials (including myself) to put together a new proposal for computer export limits. Ultimately adopted by the Clinton administration, it articulated a number of straightforward principles:

- Accept that there is no point in controlling the uncontrollable, unless you really want to shoot your own industrial base in the foot. Decontrol systems that can be assembled from commodity, off-the-shelf components by a relatively unsophisticated user, or small and compact systems available in large numbers around the globe.
- Be forward-thinking. After going through the year and a half or more required to change policy, set one that will stick for a least a couple of years.
- Focus on what is really controllable and of real military significance. Look to protect the very high end of computing capabilities and militarily critical applications not feasible on widely available systems.

Applying these principles in 1993, we revised the supercomputer definition in a way that did not define clone PCs as supercomputers. In retrospect, it is clear that what we did was right, and the critics were clearly wrong.

We are now in the midst of a transition toward a whole new paradigm for computing. Multiple, vastly faster microprocessors working in concert in a single machine—and groups of these computers tied together by high-speed, off-the-shelf communications links—can do the work once performed by supercomputers. At the same time, powerful new software tools can break up large problems into manageable chunks, solvable by a relatively inexpensive multiple-processor machines or networked clusters of computers.

Furthermore, in 1995 the world of commodity computers is even more relentlessly global than it was in 1993. Global consortia—with companies in Europe, Taiwan, Korea and Japan as members—are licensing the powerful new U.S. microprocessors coming on the market over the next two years and will be producing competitive systems using the same basic microprocessor guts as the computers shipped by American vendors. High-performance, off-the-shelf links allowing these systems to be easily aggregated into even more powerful clusters will be a fact of life.

The Clinton administration is likely to set a new policy based on careful implementation of the 1993 principles; the critics will undoubtedly continue to berate the administration for raising the export bar. To follow their advice, however, would only fuel a dangerous and self-deceptive illusion of action and undermine an industrial capability at the heart of this nation's future national security.

The writer is a senior fellow in the Brookings Institution's foreign policy studies program.

means to an end, rather than as an end in itself.

ments at othe
At no time

A disturbing logic emerges. Many young black

Computers Worth Protecting

American export limitations on computers were designed for an era when high-powered machines were larger, more expensive and more easily subject to government controls than today's compact models. Recognizing the change, the Clinton Administration has announced a sensible new approach to keeping the most advanced computers out of the hands of rogue countries intent on making nuclear weapons, smart missiles or other lethal equipment. It proposes to concentrate its efforts on only the most sophisticated machines.

Under the Administration plan, which does not require Congressional approval, export curbs would vary depending on the power of the computers, with the most stringent safeguards and registration requirements covering only machines more powerful than 10,000 MTOP's, or million theoretical operations per second. The plan would make it possible for civilian customers in China, Russia, Israel, Pakistan and India to obtain computers now banned as long as they use them for civilian purposes.

Of course, it may not be possible to prevent the computers from being used in clandestine fashion for military purposes. But since these computers are readily available, the Administration argues that current restrictions only put American manufacturers at a competitive disadvantage.

Even before it was announced, the Administration decision was being warmly anticipated by technology companies hamstrung by what they viewed as unnecessary restrictions on foreign sales. Many of these companies were in President Clinton's corner in the 1992 Presidential election and could be there again. But the Administration makes a persuasive case that it is in the national interest for them to remain healthy and competitive.

Easing the curbs on computers does not mean that the Administration should let down its guard on the proliferation of technologies with potentially lethal applications. As an extra safeguard, for example, the Administration proposal would maintain the current ban on the export of all powerful computers to Iran, Iraq, North Korea and Libya.

For other countries, the Administration argues persuasively that it would be better to enforce nonproliferation by other methods, such as a renewed drive to control advanced satellite or communications technology. There is also a need to safeguard critical software that may be more important than the computers themselves.

It is even more vital to maintain and expand controls on weapons-grade materials, triggers and other devices used to make nuclear bombs. In relaxing its curbs, the Administration should work with manufacturers in Japan, South Korea, Taiwan, Germany and other countries to maintain and enforce restrictions on the most sophisticated computers that remain banned. It is in everyone's interest to keep dangerous technology from reaching the wrong hands.

The Poet and His Pen

Perhaps the first thing one notices on reading Seamus Heaney is the almost irresistible impulse to say the words aloud, to intone them, because Mr. Heaney is — to use the old Gaelic word for a singer of epic poems — a bard.

The second thing one notices is his extraordinary accessibility. Mr. Heaney's language, which is rooted in the earth, is also down to earth. If some poets' role is to mystify, his is to clarify. What he clarifies are the links between life and death, the public and the private, the past and the present.

seeds/Caked in his stomach," is as contemporaneous as a gunman's victim. Both are part of Europe's bloody soil, and symbols of its bloody history.

The soil out of which came Seamus Heaney, Northern Ireland, is as bloody as any, and Ireland's long troubles are threaded through his work. But so is nature — "Right down the dam the gross-bellied frogs were cocked/On sods; their loose necks pulsed like sails" — and the poetic impulse itself. In an early poem, "Digging," Mr. Heaney compares his pen to his farmer-father's spade. "Between my finger and my thumb/The squat pen rests./I'll dig

To the Editor:

Your Sept. 26 front-page
describes rebuilding of the Ca
of Christ the Savior in Mosc
stroyed on Stalin's order in 1
quote one of Stalin's henchm
zar Kaganovich, a Jew, who
edly said over the rubble:
Russia is cast down. We hav
away her skirts."

Stephen R. De Angelis
Sept. 29) cites this quotation
Kaganovich actually said
was recorded at the time. T
lem is that this is a very in
tory quote, which might w
been invented by anti-Se
Russia, who traditionally b
Jews for the crimes of the
nist regime.

This is not to say that Mr
vich did not utter these w
might have said it. Stalin
could have said it. Any of
rades in arms, among w
Kaganovich was the only
Jew, could have said it.

That Russian anti-Semite
this quote to ignite h
the Jews is ironic. "A
self, Kaganovich was a
Jews!" exclaims Nikita
shchev, the former Soviet
his memoirs.

Kaganovich was assign
lin to supervise the deport
entire Jewish population t
deportation aborted only
death. Kaganovich approv
and murders of many Je
them his brother Mikhail

Your Sept. 26 article
"moral ambiguity and p
portunism of the Russia
by former Communists
only some of Communis
like the destruction of t
and take responsibility f

As often in history, a
now assign this responsi
Jewish people. ROMAN
New York, S

Don't Give Alle

To the Editor:

FOR MR BERGER
FM: DAN POREMAN

News Release

American Electronics Association 5201 Great America Parkway, Santa Clara, CA 95054 Telephone: (408) 987-4200
1225 Eye Street, N.W., Washington, D.C. 20005. Telephone: (202) 682 9110

AEA APPLAUDS CLINTON DECISION TO RAISE THRESHOLD FOR SUPERCOMPUTERS

FOR IMMEDIATE RELEASE
OCTOBER 6, 1995

CONTACT BENEVA SCHULTE
AT (202) 682-4443

(WASHINGTON, D.C.) – The American Electronics Association today congratulated the Clinton Administration for substantially reducing costly regulatory burdens on U.S. exports of computers. The Administration raised the so-called "supercomputer threshold" – above which stringent export controls are applied to each computer export – from 1,500 million theoretical operations per second (MTOPS) to 10,000 MTOPS for many countries and 7,000 MTOPS for others.

"The Administration recognized that the quantum advancement of technology and its widespread foreign availability have made export controls on desk-top and desk-side computer systems obsolete and ineffective," said Bill Archey, President and CEO of the AEA. "This decision frees up sales of a wide variety of computers without shackling our customers with onerous "security conditions" that typically cost as much to implement in a year as the cost of the computers themselves."

While AEA has always supported an export control policy that effectively prevents weapons proliferation, the association contends that controls on computers do nothing to further either U.S. foreign policy objectives or security objectives and only endangers the competitiveness of the American computer industry. The AEA therefore strongly urges the Administration to implement the new changes as quickly as possible.

AEA advised the Administration last January that it should raise the threshold to a minimum of 10,000 MTOPS. This recommendation was based on the fact that computer manufacturers would be producing computers at that speed, in volume, during 1995 and would be sending substantial numbers of export license applications to the government for review and, unfortunately, delay.

"This increase gives our manufacturers immediate relief from the delays and administrative expense that accompany every export," Archey said. "But it's only short term relief. The 7,000 -10,000 MTOP range is just 2 percent of the fastest performing machines expected to be available in 1996. As computing speed doubles every 12 months, the Administration should establish a routine policy review process to keep pace with a dynamic industry."

Archey also said that the government must ultimately come to realize the power of networking technology that enables many less powerful, decontrolled computers to be hooked together to achieve computing speeds similar to those of the bigger machines that must comply with the burdensome rules. "The government is realizing that while it may be difficult to restrict the export of a high-performance computer," Archey concluded, "it's virtually impossible to restrict the export of high-performance computing."

AEA is the largest high-technology association in the country, representing over 3,000 U.S.-based technology firms. Membership spans from semiconductor and software companies to computer systems and telecommunications companies. For more than 50 years, AEA has been the accepted voice of the electronics and information technology industry.

-30-

THE WHITE HOUSE

WASHINGTON

October 11, 1995

MEMORANDUM FOR JODIE R. TORKELSON
Assistant to the President for Management
and Administration

CC: TODD D. STERN
Assistant to the President and Staff Secretary

FROM: G. TIMOTHY SAUNDERS
Executive Clerk

SUBJECT: Weekly Compilation of Presidential Documents

The Weekly Compilation of Presidential Documents has been published on a continuing basis since its inception in 1965.

The document is published by the Office of the Federal Register, a division of the National Archives and Records Administration. Publication of the Compilation is governed by regulation, 1 CFR 10.1 - 10.13, which also governs the publication of the Public Papers of the President's series. The Compilation itself becomes much of the basis for the Public Papers of the Presidents series, and together, they constitute an important part of the written history of the Presidency -- however, the Compilation is available for research on an almost immediate basis (whereas the publication of the volumes of the Public Papers are on a much slower track and do not include full text of the President's proclamations and executive orders), thus multiplying the Compilation's intrinsic value.

Basically, the Compilation is a weekly historical record of the President's words and actions, which include

> oral statements by the President . . . and . . . transcripts or text issued by the Office of the White House Press Secretary, including Communications to Congress; Public addresses and remarks . . . (1 CFR 10.2)

Thus, the content of the Compilation, while varying slightly over the years, is virtually unchanged from 1965 -- publishing all statements and addresses by each President. If anything, it is less complete now than at any previous time in that Statements by the Press Secretary are no longer published and it no longer contains a weekly index, but instead only publishes quarterly, semiannual, and annual indexes (cost-savings measures that the Executive Clerk finds very unfortunate as they are certainly a dilution of a wonderfully useful and historically valuable product).

The cost of the document is borne by the Office of the Federal Register. As of October 1, 1995, the cost is $200 per page (up from $196/page in FY 1995), as set by the Government Printing Office (GPO). Annual cost estimates for fiscal year 1995 are estimated to be approximately $582,000.

As the Executive Clerk is the White House Liaison for the Office of the Federal Register, I would be pleased to address any further questions you might have concerning the Compilation.

Potus wants
Copy sent
to Jim Moore —

Copy made
for Erskine
Bowles

B

(10-11-95)

THE PRESIDENT

10/11/95

Jim

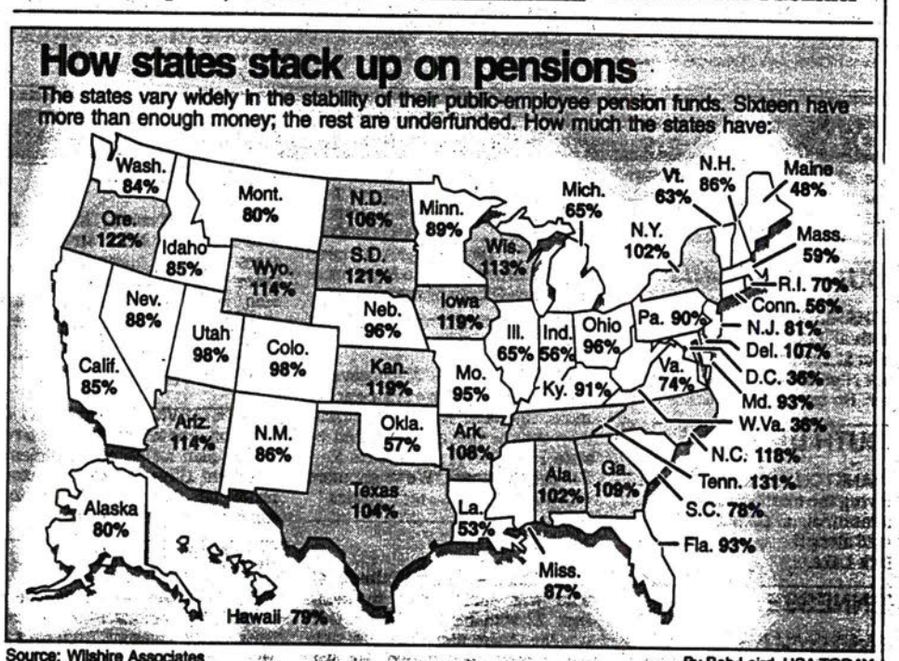
You + I discussed this once - there is a problem in this in State under 1000 to - but what about the Congressional proposal to permit withdrawals from ~~private~~ private pension funds for any reason?

But - Bill

"USA TODAY hopes to serve as a forum for better understanding and unity to help make the USA truly one nation."
—Allen H. Neuharth
Founder, Sept. 15, 1982

THE NATION'S NEWSPAPER
USA TODAY
PUBLISHED BY GANNETT

David Mazzarella
Editor
Karen Jurgensen
Editor of the Editorial Page
Thomas Curley
President and Publisher



Source: Wilshire Associates

By Bob Laird, USA TODAY

Today's debate: PROTECTING PENSIONS

States' pension shell game may shock taxpayers

OUR VIEW **Many states are playing fast and loose with pension funds. When the bill comes due, you'll pay.**

Taxpayers, look out. Your governors, mayors and lawmakers are balancing today's budgets with raids on public pension funds. The danger to you: huge tax increases when public employees retire in droves over the next 20 years and there's no money to meet their claims for benefits.

Look at what's happening:

In Connecticut, Gov. John G. Rowland is using a budget trick he attacked when his predecessor used it. He'll use $600 million in contributions owed state plans over the next four years to balance the budget. It will raise the pension fund red ink to $7 billion — 50% of its obligations.

In New Jersey, Gov. Christie Todd Whitman has followed a $1 billion raid by her predecessor with a $1.3 billion assault of her own. She needs the money to cover promised income-tax cuts. Future taxpayers, though, face a $7 billion pension bill.

So it goes across the nation. Republican, Democrat, it doesn't matter who's in charge. They're piling up billions in pension debt — $164 billion underfunding in the 75% of plans surveyed for the Government Finance Officers Association.

On average, rather than a dollar in assets for each dollar of obligation, plans have only 90 cents. Of 82 statewide plans, 27 were less than 80% funded last year. Only 25 were fully funded. West Virginia's teachers plan is only 9% funded. Hundreds of local plans are in worse shape. And this in good times.

What's wrong? State and local officials give in to the demands of public employee two-thirds of public plans increased benefits. Since 1991, benefits have gone up an average $182 a month — 25%. In New York, Gov. George Pataki this year tapped $230 million from a pension fund *and* increased benefits.

Such profligacy means three things — taxes will go up, services will be cut and taxpayers won't know what hit them.

What can be done to stop it? In New York, the state's pension trustee is suing the governor to halt the raid. In Maine, voters amended the constitution to prevent misappropriation of pension funds. In California, voters stripped the governor and legislature of authority to make any investment or economic assumptions, putting that in the hands of pension boards.

People can do a lot if they know what's happening. But many plans are cooking their pension books to cover up shortfalls.

South Carolina, for example, assumes an interest rate of 8% when its likely return is only about 6.4%, Wilshire Associates found. West Virginia assumes a spread between investment returns and wage increases nearly twice the national average.

And many states cutting payments to plans are stretching out from 30 years to 40 the period over which they promise to make up the underfunding.

That would be illegal for a private plan. It should be for public plans, too. But strict standards like the federal rules for private pensions don't apply to public ones. And Congress, constitutionally, can't force states to act responsibly.

So, citizens are pretty much on their own. They should demand an independent accounting of their public pension plans so politicians can't easily cook the books.

No state or city saves money when it refuses to fund a pension obligation. It just piles up debt for you in the future. And

State protects taxpayers

OPPOSING VIEW **New Jersey found it had been overfunding pensions. Now we're giving taxpayers a break.**

By James A. Archibald

In New Jersey, everyone who is entitled to a state pension will receive every dime he or she is owed.

That was the case before pension reform, it is the case now, and it will be in the future. Unfortunately, that is not the rhetoric you sometimes hear.

I cannot speak to what is going on in other states, but I can tell you about New Jersey and the pension reform we enacted in 1994. For the record, there was no raid. New Jersey is not underfunding and did not underfund the state's pension system.

Our pension changes were developed by international actuarial firms that were asked to recommend improvements based on five tenets:

- That not a penny of pension system assets should be taken by the state.
- That benefits for pensioners and their survivors should not be altered or jeopardized in any respect.
- That any changes should be in accordance with generally accepted accounting principles.
- That the underlying actuarial assumptions of our system should reflect current economic conditions.
- That any changes should be in accordance with accepted actuarial principles.

Our pension-reform proposals were rigorously reviewed by four legislative committees and the state's Pension and Health Benefits Review Commission, which is responsible for providing independent analyses of proposed pension changes.

The changes — and their immediate and long-term consequences — were closely scrutinized by the nation's rating agencies as part of their continuous review of the state's financial condition. The result: New Jersey not only maintained its high bond ratings, but Standard and Poor's also said that the long-term economic outlook for the Garden State had improved.

If that is the case, you might ask, then why all the controversy? It is because critics have chosen to ignore the fact that taxpayers have been overfunding the system for years. We believe taxpayers should pay what is owed but no more. Through pension reform, we made sure the system would be 100% funded — not overfunded. And we did so without any change or threat to the pension benefits provided to our public employees.

Before we reformed the system, our taxpayers were paying hundreds of millions of dollars more than was needed each and every year. In fact, under the old system, New Jerseyans would have paid approximately $20 billion more than was needed over the next 30 years.

Why should taxpayers pay more than is necessary? In New Jersey, we do not think that makes sense. This is not a case where we are putting off what we owe today until tomorrow. Our actuaries have assured us that future taxpayers will not have to pay a large sum of money to make up the difference. They will simply pay their fair share — which is all we are asking today's taxpayers to do.

James A. Archibald is deputy treasurer of the state of New Jersey.

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MICROSOFT CONSULTING CHANNEL Alliance

October 10, 1995

Nancy --

This came out of the Oval.
Do you want a response
sent to this person(see note
on back of business card)?

Carol

10/11/95
Send to Brooke
Treasurer - Works

Howard Co. Drug & Alcohol Board
(H)(410) 992-4549
I would like to work
with your office especially
on a White House Fellowship.

Medicaid cuts will hurt disabled, advocates say

By Richard Wolf
USA TODAY

Alison Higginbotham can't speak out on behalf of Medicaid. But the little she can do speaks volumes about its benefits to the disabled.

The 7-year-old girl from Opelousas, La., has a rare seizure disorder that keeps her in diapers, functioning at the level of an 18-month-old child. Without Medicaid coverage for medical, nursing and therapeutic services, her mother says, it would be hard to keep Alison out of an institution.

But under a Republican plan to save $182 billion in projected Medicaid spending over seven years, states would be likely to pare back some of the services Alison receives, advocates for the disabled say.

Institutions and intermediate-care facilities for the mentally retarded may not fare much better. Federal standards that led to improved care would be repealed.

"It's legislative manslaughter," says Karen Higginbotham, Alison's mother. Many states will not do what's appropriate.... What's going to happen to the people who depend on this?"

For about 6 million mostly low-income Americans with chronic disabilities, Medicaid is a lifeline, offering the comprehensive health insurance they cannot afford privately.

But to Washington's budget-cutters, Medicaid services for the disabled can seem overly generous: care in the home and community; rehabilitative services; speech, occupational and physical therapies; even the purchase of equipment or communication devices. Advocates of cutting Medicaid note it often surpasses the coverage of private health insurance.

Then there is the high price of long-term institutionalization, which includes vocational and transportation services as well as medical care.

"Medicaid is the fastest-growing entitlement of all — a complex, bureaucratic and uncontrolled spending machine, riddled with waste and inefficiency," says House Commerce Committee Chairman Thomas Bliley, R-Va.

The savings that will be needed at the state level if Congress approves the GOP legislation probably would be spread among doctors, hospitals, nursing homes and people who benefit — the elderly, children and pregnant women, as well as the disabled.

But advocates fear that the disabled may get caught in the middle. They have less political clout than the powerful elderly lobby, and the cost of their care is far greater than the price tag for pregnant women and children. While the disabled constitute 15% of Medicaid recipients, they account for more than 30% of expenses.

Some of the services — such as health screening, diagnostic testing and treatment for children up to age 21 — are mandated on the states. But many are optional, and advocates for the disabled fear those will be the first to go.

"For a lot of people, it is generous," says Kathy McGinley of the Consortium for Citizens with Disabilities. But the breadth of Medicaid services, she says, "can mean the difference between life and death, between institutional living and freedom, between inactivity and productivity."

Already, states facing budget crunches are cutting back on optional services or putting more Medicaid recipients into managed-care programs that make services harder to get.

That, all sides agree, is the likely way Medicaid cuts would affect the disabled. The cuts would not completely eliminate coverage for a select few, which the Senate plan would not permit, but would reduce services for many.

"Certain kinds of services are going to have to be scaled back, and we're assuming that governors are going to be reluctant to throw people out of nursing homes," says Stephen McConnell of the Alzheimer's Association. "All of the innovation in home and community-based care ... is in jeopardy."

That would hurt families like the Higginbothams, who already have lost state funds that paid for Alison's diapers, some chiropractic services and some hours of skilled baby-sitting relief.

"It's really bad right now," says Karen Higginbotham, whose part-time pay and husband's full-time salary cannot cover Alison's health-care bills. "Families will be forced to place their children in institutions, and the institutions will charge for everything."

Advocates for the disabled, like those for the elderly, also fear that the quality of institutional care would decline if the federal government drops its regulations and leaves standards up to states. Until federal law required "active treatment," many states provided little more than custodial care.

"We fear we may return to that," says Marty Ford of The Arc, which represents the mentally retarded and developmentally disabled. "It will be cheaper, and there will be nobody saying you can't."

Polly Arango has seen that before. For 2½ years her Family Voices, a grass-roots network of families with special-needs children, has battled state legislatures over Medicaid cutbacks and the use of restrictive managed-care plans.

"We already know what's going to happen," Arango says. "But it's just going to happen at a much greater level."

That's what makes Karen Higginbotham nervous about Alison.

"If anything is cut back, it will create hardships financially and physically on us," she says. "I do not ever want to think about having to put Alison in an institution."

By Stan Alost

LIFELINE: Karen Higginbotham, with daughter Alison, 7, and son Dustin, 6, says without Medicaid Alison may be institutionalized.

USA TODAY • WEDNESDAY, OCTOBER 11, 1995

Wow! Scary

IT HAS BE'N SEEN BY THE PRESIDENT HAS SEEN 10/11/95

-10-95
Todd
Who should get a copy?
Gene Sperling
Jen Klein

10/11/95

copy of outgoing letter & background went to M. Lewis w/ this note

Maureen -

POTUS' note says that
& Michles (from Pocahontas, AR)
has family, we should write
him too. Can you find out?

Phil

Letter
Boehner to Mac
Ken family
should address
Wm to Bill

E HOUSE
GTON

October 11, 1995

John W. Barr
8713 Robin Dell
Houston, Texas 77074

Dear John:

I wanted you to know that my thoughts are with you as you and your family pay final tribute to your father. Although the years since his passing must have been difficult, I hope that you have found comfort in finally having a full accounting of the circumstances of his death.

Our thoughts and prayers are with you.

Sincerely,

Bill Clinton

cc: Mack McCarty
~~C. Smith~~
Craig Smith

John W. Barr
8713 Robin Dell
Houston, Texas 77074

We have also received the following information items:

- **Immigration Message.** An editorial in the September 16 *Washington Post* on "Immigrants With Skills" talked of the need to put American workers first and cited some suggestions from Barbara Jordan on this subject. You noted that this message "needs to become a more explicit part of our message." In response, Rahm reports that he advised Commissioner Meisner and Secretary Reich to incorporate this message into their testimony at Senate immigration hearings on September 28.

- **9th Circuit decision on religion in schools.** From Steve Neuwirth. On Friday, the court ruled that a public high school receiving federal funds could not prohibit a student religious club from meeting on high school premises during the lunch period, when other extracurricular student clubs are permitted to meet. The court's decision was based on the Equal Access Act and confirmed a key principle in Secretary Riley's guidance to schools; DOJ filed an amicus brief in the case supporting the position the court took. The Christian Legal Society issued a statement praising the Administration's participation in the case stating, "[t]his was teamwork at its best, religious advocates and the White House successfully fighting the pervasive discrimination against free religious expression."

- **Vesco extradition from Cuba.** From Richard Nuccio via Harold. Cuba never offered to extradite Vesco. When our government indicated an interest in having him, Cuba backed off. Castro has publicly stated that it would be "immoral" to extradite him. While we are still interested in Vesco, we would not back off our embargo to secure his return.

- **Return of Hope, Arkansas Pilot's Remains.** From Tony Lake. The remains of Lieutenant Commander John F. Barr, USN, from Hope were among those of 18 servicemen from Vietnam and Laos returned to Travis AFB in California on September 27 from the processing center in Hawaii (which you have visited). Barr was previously unaccounted for after his aircraft was lost during a strike over North Vietnam on October 18, 1967. Barr's remains were returned to Hawaii in 1988 and recently positively identified based on a match of ~~blood samples~~ from his mother and sister. He will be interred with full military honors October 18 at National Cemetery in Houston, where his family lives. Also, a set of group remains to be buried at Arlington October 12 includes those of Captain Earl R. Michles, USA, of Pocahontas, Arkansas. He was in a helicopter shot down on June 13, 1968.

Note

Did not do letter to Mayors of Hope or Pocahontas as families no longer live there AND sadiers won't be buried there. Military office unable to confirm the Mayors' invite list

PLM doing letters to ALL 18 families of those to buried in Arlington - per Joni Stevens request.

- Maureen

THE WHITE HOUSE

WASHINGTON

95 SEP 29 P4:48

September 29, 1995

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Return of Hope, Arkansas Pilot's Remains

The remains of 18 American servicemen missing in Vietnam and Laos were returned to the USAF mortuary at Travis Air Force Base, California, on September 27, 1995. Included in this group are the remains of Lieutenant Commander John F. Barr, USN, of Hope, Arkansas. LCDR Barr was previously unaccounted for after his aircraft was lost during a strike over North Vietnam on October 18, 1967.

LCDR Barr's remains were repatriated to the U.S. in 1988. The following year, additional remains along with his military identification card and various other personal effects were returned. His remains were unidentifiable through traditional means. LCDR Barr was identified by matching the mitochondrial DNA (MtDNA) obtained from the remains with the MtDNA obtained from blood samples provided by his mother and sister. He will be interred with full military honors at Houston National Cemetery on October 18. His family currently lives in the Houston area.

Included in a set of group remains are those of Captain Earl R. Michles, USA, of Pocahontas, Arkansas. Captain Michles was a passenger on a helicopter shot down on June 13, 1968. While some of his remains were recovered and individually identified in 1968, additional remains were recovered during joint U.S./Vietnamese investigations in 1993. The group burial will be in Arlington National Cemetery on October 12.

Given that LCDR Barr is from Hope, Arkansas, we wanted to let you know of the return in case you knew the family personally.

cc: Vice President
Chief of Staff

DEPARTMENT OF THE NAVY

POW/MIA AFFAIRS (PERS-663P)

TO: AGENCY: WHITE HOUSE LIAISON

NAME: YN1 STOTTLER

PHONE: (703) 695-0154 FAX: (703) 695-0699

FROM: LT MICHAEL J. THERES, USN

COMM: (703) 614-3338
DSN: 224-3338
FAX: (703) 614-3345
DSN FAX: 224-3345

NUMBER OF PAGES (INCLUDING COVER PAGE 2)

SUBJ: LCDR JOHN F. BARR

COMMENTS: PER OUR DISCUSSION.

Mr. John W. Barr (Son)
8713 Robin Dell
Houston, TX 77074

R/

FACT SHEET

NAME: BARR, JOHN FREDERICK

RANK: Lieutenant Commander SERVICE: U.S Navy

DATE OF LOSS: October 18, 1967 COUNTRY OF LOSS: North Vietnam

DATE OF BIRTH: March 31, 1934 PLACE OF BIRTH: Litchfield, IL

HOME OF RECORD: Hope, AR

CURRENT STATUS: Remains Returned

TYPE OF AIRCRAFT: A-4E "Skyhawk"

UNIT: Attack Squadron 164

SHIP OR CARRIER: USS ORISKANY (CVA-34)

CIRCUMSTANCES: On October 18, 1967, Lieutenant Commander (LCDR) Barr was the pilot of an A-4E "Skyhawk" aircraft providing surface-to-air (SAM) suppression coverage as part of a strike group hitting one of the major targets in the Haiphong area of North Vietnam. He twice fired his own missiles at the threatening SAM sites. LCDR Barr followed up his first attack with a short range diving assault through a wall of anti-aircraft fire and unleashed his second missile at point blank range. LCDR Barr's wingman observed a large orange fireball with billowing smoke in the target area which he suspected was Lieutenant Barr's crash site. No parachute was sighted, no emergency beeper signal was heard, and subsequent visual and electronic searches were unsuccessful.

On April 6, 1988, Lieutenant Commander Barr's remains were repatriated to the U.S. by the Socialist Republic of Vietnam. On September 11, 1989, additional remains with Lieutenant Commander Barr's identification card, two Geneva convention cards, and an immunizations certificate were repatriated. In 1995, a Joint Task Force - Full Accounting team investigated the area of Lieutenant Commander Barr's loss. According to Vietnamese witnesses, the remains and personal effects returned in 1989 were obtained during a unilateral excavation under the direction of the Vietnamese government.

The lack of both dentition and any individualizing characteristics of the skeleton initially rendered these remains unidentifiable through traditional means. Recent advances in scientific technology have allowed identifications to be made through the comparison of mitochondrial DNA (MtDNA) with that of certain maternal relatives. Lieutenant Commander Barr was identified by matching the MtDNA obtained from the remains with the MtDNA obtained from blood samples provided in March 1993 by his mother and sister.

Lieutenant Commander Barr is to be interred with full military honors at Houston National Cemetary on Wednesday, October 18, 1995.

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20350-1000

TELEFAX TRANSMISSION COVER SHEET

TO: WHMO

CODE:

NAME: JONI

TELEPHONE NUMBER:

TELEFAX NUMBER:

* *

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DATE AND TIME SENT: 10-3

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REMARKS:

Joni:

Per our phoncon. Also, attached is a bio.

V/R,

Todd

THE WHITE HOUSE
WASHINGTON

faxed 10/11/95

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

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THE WHITE HOUSE

WASHINGTON

October 10, 1995

The Honorable Wayne Cranford
Little Rock, Arkansas

Dear Wayne:

Congratulations on receiving the Distinguished Alumnus Award from the University of Central Arkansas.

This honor stands as a testament to your many contributions to your community, your state, and your country over the years. As a successful advertising professional, you have set the standard for others in the business to follow. As a civic leader in Central Arkansas, you have given of your time and resources to help others. As Chairman of the Advisory Committee on the Arts, you have helped to advance the performing arts in our great nation. And as a dedicated family man, you have shown that your family always comes first.

You've been a friend a long time, and I salute you on this great honor. Congratulations!

Sincerely,

Bill Clinton

Staff secretary.
Please send to
Dr. Thompson &
fax copy to
Susie Whitacre
in Arkansas office
(501) 375-0512.
Thx
Maurea

ce Press
Letter to
HRC + Chelsea

ITE HOUSE
HINGTON

October 10, 1995

Mr. and Mrs. Tom Flammang
11012 King Arthurs Court
Little Rock, Arkansas 72209

Dear Tom and Marianne:

I'm so glad both of you were able to be with us for the concert last week and that you enjoyed your first visit to the White House. As always, it was wonderful for Hillary and me to share such a special evening with Arkansas friends.

It is good to hear Elizabeth is doing well at the Math and Science High School. Adjusting to her being away from home has been challenging for all of you, no doubt.

Hope to see you again soon.

Sincerely,

Bill Clinton

8/10/95

Dear Mr. President and Hillary,

Thank you so very much for allowing Elizabeth to stay with you and Chelsea for a week. She had a wonderful week and I think it's just what she's needed. Elizabeth has been really torn about her decision to go to Math/Science High School and think she needed the reprieve of having her "friends" put pressure on her to not go. Chelsea and Elizabeth seem to have very similar beliefs, aspirations etc. and therefore Elizabeth always feels at home when she comes for a visit.

Hillary, Elizabeth told me you wanted to know the name of the young man who graduated from Math/Science who is going to Stanford. His name is Kevin Moseby from Hamburg, AR. There is no known address because his house burned down a couple of weeks ago but they are rebuilding. Evidently he was interviewed by AETN in May, being featured in a program about disadvantaged students who have achieved great heights.

I wanted to tell you that I saw you on the Oprah show with Dr. Brazelton and thought it was a great interview. I do hope that somehow the media can be made to accept responsibility for the influence they have on the youth. It truly is astounding the change that has occurred in TV etc. over the years in what is being shown + what we have accepted esp. violence + sex. The soap operas are disgusting + many young people watch it, it's no wonder the attitude about sex is so free by teen-agers, that is all that is out there + consequences are rarely addressed.

I am looking forward to your book, Elizabeth told me you are working hard to complete it. We will be first in line to buy it.

We are hoping to be able to make it for the Christmas party this year. I know Rebecca would

love to see all of you again. Rebecca was disappointed that she did not get to see Chelsea when she was here for her visit.

Thank you again for allowing Elizabeth to come for a visit. I know she loves being able to sit around to talk to both you and mr. President, she thinks both of you are the greatest. She wants to ~~work~~ work in the campaign and would love to intern at the White House when she gets to be the "right" age.

Have a great vacation in Wyoming,

Marianne Flammang.

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Ms. Mariann L. Flammang
11012 King Arthurs Ct.
Little Rock, AR 72209

LITTLE ROCK, AR 722
PM
10 AUG
1995

Mr. President and
Mrs. Clinton
The White House
1600 Pennsylvania Ave.
Washington D.C.
20500-2000

THE NEW YORK TIMES, WEDNESDAY, OCTOBER 11, 1995

Journal

FRANK RICH

Why Foster Lives

On Sunday night Mike Wallace of "60 Minutes" proved once again that, yes, Vincent Foster *did* commit suicide in Fort Marcy Park, Virginia, in July 1993.

As news goes, this story is only slightly more shocking than dog-bites-man. Among the others who have judged the Foster death a suicide are two Congressional committees run by Republicans, the F.B.I., Foster's own family, the Fairfax County Medical Examiner and the first of the Whitewater independent counsels, Robert Fiske.

So why did Mr. Wallace even bother to investigate? There is less evidence to support the supposition that Foster's death was a homicide than there is to prove that Nicole Brown Simpson was murdered by Colombian drug dealers. But as Mr. Wallace explained, facts aren't the issue in the incredible Foster murder case — public opinion is. Despite all the official findings, polls show that two-thirds of Americans still remain unconvinced that Foster killed himself. And so "60 Minutes" dutifully deflated the more widely circulated conspiracy theories, with Mr. Wallace even demonstrating on himself how the blood Foster spilled was consistent with a self-inflicted bullet wound to the head.

End of story? Not quite. Before we try once again to lay Vince Foster, poor man, to rest, it's worth looking at exactly why these cockamamie scenarios about his demise have had such a long and widespread shelf life. It's not because they're plausible. It's not because the American people are so credulous — or mindlessly "anti-government" — that they see an Oliver Stone plot behind every official corpse, however obscure. No, the real story here has to do with money, and the power of money to spread noxious propaganda throughout the body politic.

In this case, the money belongs to a little-known man often described as "reclusive" — Richard Mellon Scaife. An heir to the vast Mellon fortune with a net worth estimated by Forbes at $800 million, Mr. Scaife plays a role in several family foundations that have for decades contributed huge sums to right-wing causes and think tanks. He also is the owner of a small newspaper near his hometown of Pittsburgh, The Tribune-Review, which just happens to be the only daily in the country persistently floating theories of a Foster murder and cover-up.

Since it's not exactly easy to find The Tribune-Review on your local newsstand — and since no reputable news organization, conservative ones included, takes the paper's Foster reportage seriously enough to reprint it — Mr. Scaife finds other ways to spread the "news." For well over a year now, papers stretching from The Washington Post to The Los Angeles Times have run costly full-page ads reiterating The Tribune-Review's findings. The ads are placed by a nonprofit California organization calling itself the Western Journalism Center. What the ads don't say is that the Western Journalism Center is a recipient of Scaife foundation largess.

Who else gets money from one Scaife foundation or another? As The Arkansas Democrat-Gazette reported two weeks ago, the list includes the magazine The American Spectator and the organization Accuracy in Media, both of which also keep the Foster story simmering, as well as

A checkbook conspiracy.

the National Taxpayers Union, whose chairman, James Dale Davidson, fans The Tribune-Review's Foster flames in both a newsletter and a widely merchandised videotape.

Mr. Wallace did an expert job of finding errors in that videotape on "60 Minutes." But perhaps not even the CBS of old — let alone the enfeebled CBS of today — could counter an extravagantly funded, multimedia disinformation campaign assaulting Americans from all sides under a variety of "journalistic" rubrics. According to the magazine Christian Century, the Scaife fortune is filtered into outlets as various as NET, the conservative TV channel, and 70 conservative college newspapers.

None of this is illegal, of course. In America, those who hate a President have the right to spend every last penny to try to tar him with the death of a close aide. But in the end the strange case of Vincent Foster may say less about either Bill Clinton or his political nemeses than it does about the power of anyone with an unlimited checkbook to roil national opinion about any issue without ever letting voters see who's pulling the strings. □

THE PRESIDENT HAS SEEN
10/11/95

THE PRESIDENT HAS SEEN
10/11/95

Sandy
Pretty good column
BC

Foreign Affairs

THOMAS L. FRIEDMAN

Proceed With Caution

With the cease-fire coming in Bosnia, attention is now shifting to the question of which countries should contribute peacekeeping troops to consolidate an end to the war. I've got the perfect choice: the Germans.

There is really no country more deserving of the thankless task of monitoring a Bosnian peace accord than Germany. After all, it was Germany's desire to dismember Yugoslavia, by recognizing Croatia's secession before Zagreb had worked out any arrangements for dealing with its minorities or neighbors, that helped to start the war in the first place. If there were any justice, the people who helped break up Yugoslavia (a charter U.N. member and multi-ethnic state) would be made to put it back together.

Historical note: Beginning in the summer of 1991 the European Community was running all the diplomacy on Yugoslavia and had organized a peace conference in search of a comprehensive settlement (read amicable divorce) among the republics. The E.C.'s guiding principle was that it would not give diplomatic recognition to any of the breakaway republics of Yugoslavia — which began with Croatia and Slovenia pulling out in June 1991 — unless and until they struck peace accords between them and guaranteed the rights of their minorities.

The U.S. role in Bosnia.

But then the German Foreign Minister, Hans-Dietrich Genscher, acting on the long love affair between Germany and Croatia (and traditional German Serbophobia), told the E.C. that Germany would recognize Croatia by Christmas 1991 — no matter what. Germany's E.C. partners begged Bonn not to do this, warning that it would blow up the peace conference and lead to war in Bosnia, because it would drive the Muslims to pull out of a disintegrating, Serb-dominated Yugoslavia. Nevertheless the Germans, hinting that they would not agree to elements of the Maastricht Treaty if they didn't get their way on Croatia, bullied the E.C. into recognizing Croatia and Slovenia. The rest, as they say, is history.

O.K., O.K., I know that no one is going to allow the Germans alone to be the peacekeepers in Bosnia (though they should at least pay for the mission). But this is just a reminder that there are stories inside stories inside stories in this Balkan war, and before the U.S. moves in with 25,000 troops the American people have to know what they're getting into and have some basic questions answered:

#1. President Clinton recently told a group of columnists that he viewed U.S. troops in Bosnia as eventually playing a role similar to the U.S. troops monitoring the peace between Egypt and Israel in the Sinai Desert. But those troops are armed with nothing more than tennis rackets and suntan lotion. Secretary of Defense William Perry says he sees the U.S. not only serving as peacekeeper in Bosnia but also arming and training the Muslims in order to create a stable balance of power — so the U.S. will eventually be able to leave. How does the U.S. intend to be a passive, neutral peacekeeper between Serbs, Croats and Muslims with one hand, while arming and training the Muslims with the other?

#2. Is it wise for the U.S. to be putting so many troops, 25,000, into a situation where there are going to be many disgruntled people and the best way for any of them to draw attention on CNN to their grievances will be not by killing a Fijian or a Dutchman, but by killing Americans? Granted, this is always a problem when Americans are sent abroad, and should not stop a deployment. But it also cannot be ignored. There is a real risk that with such a large U.S. role the whole mission could be wrecked, à la Somalia, by just killing a few U.S. troops.

#3. Even if the parties can agree on permanent cease-fire lines, which they have not so far, they still must agree on the nature of a peace settlement. The Muslims still want a unitary state and will tug the U.S. in that direction; the Serbs and Croats still want de facto partition and will tug the U.S. in that direction. What is the political outcome the U.S. wants and how will U.S. troops be used to promote that outcome?

President Clinton has shown real leadership on Bosnia of late. The U.S. should continue to lead and contribute to a settlement — but only in proportion to its interests in the Balkans (which are limited), and only after it is clear why the U.S. is going in and when the U.S. is coming out.

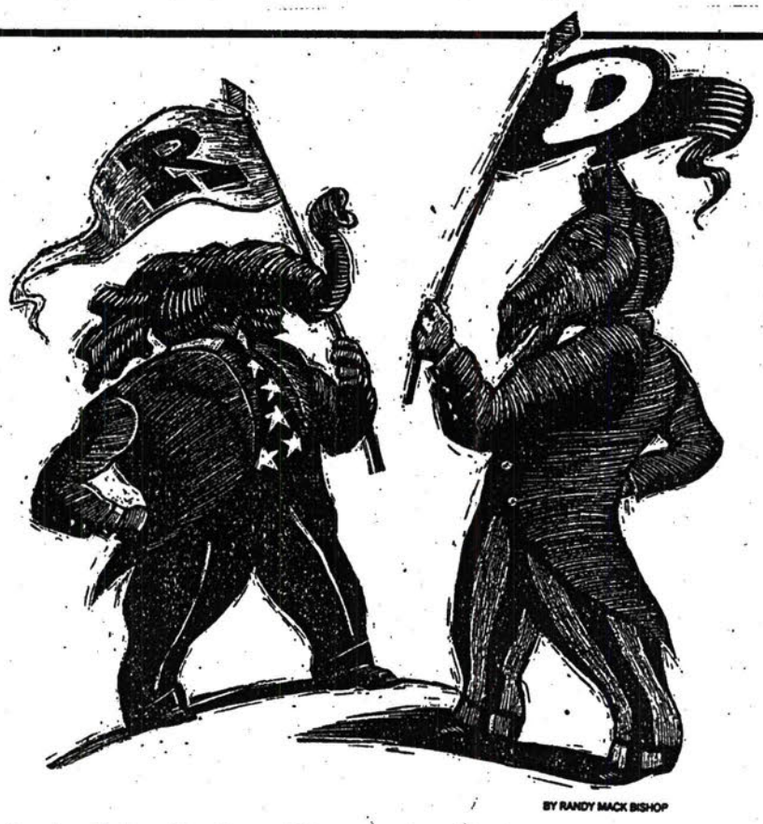
Footnote: Mr. Clinton has never given a speech devoted to Bosnia. Maybe it's time. □

THE WASHINGTON POST
WEDNESDAY, OCTOBER 11, 1995

THE PRESIDENT HAS SEEN
10/10/95

Robert J. Samuelson

Budgetary Bombast



BY RANDY MACK BISHOP

The tax debate is a triumph of political rhetoric over common sense. Republicans and Democrats alike portray the Republicans' proposed tax cuts—$245 billion between 1996 and 2002—as bigger and more important than they are. Each side has its reasons. Republicans say they're providing major tax relief for most ordinary Americans. Not true. Democrats cast Republicans as savagely cutting everything from Medicare to college loans to pay for "a tax cut for the rich." That, too, is untrue.

Just for the record, I reject both the Republican tax cuts and the Democrats' critique. Lower taxes, in my view, shouldn't come until the budget is balanced. People should feel the price of government: taxes paid for services received. When the two are split, government becomes lax, because the price of more government is falsely seen as zero. But we are far beyond such a principled debate. Even Democrats advocate tax cuts, arguing that their plan is fairer. The debate gushes partisan cliches.

Start with Republican myths. The $245 billion sounds like a huge tax cut. It isn't. Recall that it occurs over seven years. In this period, the Congressional Budget Office estimates that federal taxes (before the cut) will total $12.8 trillion. The $245 billion cut is about 1.9 percent of that. Of course, some people will get more. The plan's centerpiece is a $500 tax credit for every dependent child. A family with moderate income (up to say $40,000 to $50,000) and two children would receive a noticeable tax cut.

But about half of families have no children, and nearly 30 percent of households are singles. Even for higher-income families with children, the effect of the child tax credit would fade. (In 1994 a two-parent family with two children and $75,000 of income paid about $15,000 to $16,000 in federal taxes.) And the rest of the tax cut—Congress is still working on details—is splintered among many, highly symbolic reductions.

Consider the most controversial proposal: a capital gains tax cut. Capital gains are profits from the sale of stocks, bonds and other assets. Now, these profits are taxed at a maximum of 28 percent. The House Republicans would reduce that to 19.8 percent, arguing that a lower rate would spur investment and risk-taking. Gee, there's already an investment boom, with ample risk-taking. The present capital gains tax isn't a major obstacle. A reduction would mostly benefit wealthier Americans by increasing their profits from the sale of existing stocks and bonds.

Although the Republican myths are outrageous, the Democratic myths are worse. To listen to Democrats, you'd think that every spending cut is needed to provide a "tax cut for the rich." Medicare is being cut to help the wealthy; so are Medicaid, the school lunch program and welfare. The litany is endless. Perhaps this makes good rhetoric, but it flunks first-grade arithmetic.

In the Republican budget, spending is cut about $900 billion between 1996 and 2002 from the levels under present law. That's about 6.2 percent of what the CBO reckons would be spent and nearly four times the size of the tax cut. The Democrats are double, triple and quadruple counting spending cuts as an offset to the tax reduction. Even a one-for-one count ($245 billion of spending cuts for $245 billion of tax cuts) is a stretch. Here's why.

Under the congressional budget resolution, the Republicans can't enact a tax cut until the CBO certifies that their plan would balance the budget by 2002. Once that happens, the CBO assumes that interest rates will drop and economic growth will increase. In turn, these changes further improve the budget balance by about $170 billion between now and 2002. It is these extra savings that, in theory, mainly finance the Republican tax cut. They account for about 70 percent of the total.

The point is that—without a huge tax increase that almost no one favors—the Republican spending cuts are needed simply to balance the budget. If the Democrats don't want to balance the budget, they should say so. If they have $900 billion of other spending cuts, they should say so. But their endless carping about the "tax cut for the rich" merely disguises their own unwillingness to confront the budget deficits. Republicans have made some unpopular choices about government; Democrats have not.

It is not that Republican choices are beyond criticism. Their plan to curb the Earned Income Tax Credit, which provides tax relief for the working poor, is mean and would shrink the net tax cut substantially. But the tax cut is not mainly a giveaway to the rich. Its effects are spread along the income distribution. Even if it were approved, the well-to-do would continue to pay most federal taxes. In 1994 the richest fifth of Americans (a group that begins at about $75,000 of family income) paid 59 percent of federal taxes.

The trouble with the Republican plan is that it has warped the budget debate. Democrats have succeeded, temporarily at least, in turning it into an old-fashioned argument about class, when it ought to be about redefining the role of government. There are legitimate disagreements here, and they ought to be aired. But it is not true—as Democrats imply—that the whole process is being driven by a crass desire to aid the wealthy.

Ideally, Republicans would postpone tax cuts. Congress should discipline itself and see if a projected balanced budget actually occurs. The prospect of future tax cuts would also dampen the temptation to undo some spending cuts. But the Republicans aren't likely to delay the tax cut, in part because they fear that doing so would trigger a voter backlash. This could be true, despite polls showing that tax cuts rank behind deficit reduction in popularity. Americans are so cynical about politics that they'll seize almost any reason to vindicate their cynicism.

But there is a next-best policy: strip the tax cut to its bare political minimum, the child tax credit. The cost would drop sharply (to about $163 billion over seven years, which is almost exactly the size of CBO's expected "dividend" from balancing the budget). And it would be much harder to attack as a giveaway to the rich. The result would be to refocus the budget debate where it belongs: on what government should—and shouldn't—do.

Leon / GS etc — This is good

BR

THE PRESIDENT HAS SEEN
10/11/95

Leon

Bill — we need to discuss
— also the story for tomorrow
& the # — we should be very
careful about the family Nutrition
Team's values. Question if we need to
be comfortable w/ whether we advocate
BB

THE PRESIDENT HAS SEEN
10/11/95

Unlikely Allies Battle Congress Over Anti-Immigration Plans

By MATTHEW PURDY

As Congress today considers some of the most severe anti-immigration measures since the 1920's, it is facing resistance from a surprising alliance of high-technology manufacturers, religious leaders, conservative think tanks, civil liberties organizations and tiny, grass-roots immigrant groups.

From Microsoft, which is fighting limitations on visas for foreign computer scientists, to the Roman Catholic Church, which is battling for the rights of political refugees, the coalition is giving some heft to the loosely organized opposition by immigrants, who belatedly realized that the mood of the country had turned against them.

"There's a wide array of groups that think the legal immigration system is not broken and doesn't need radical changes," said Ira Rubinstein, a senior lawyer for Microsoft.

It is a loose alliance, and each group has its own concerns with the Omnibus Immigration Bill, which is to be taken up by the House Judiciary Committee today, as well as with similar proposals in the Senate. The diversity of the opposition reflects the broad sweep of the various Congressional proposals, which began as an attack on illegal immigration and were broadened to restrict legal immigration as well.

Civil rights and ethnic groups were expected to fight, but not Microsoft.

Manufacturers, insistent that they need foreigners with special skills to remain competitive, oppose attempts to limit visas used by United States companies to hire foreign engineers, computer programmers and scientists. Ethnic groups in cities across the country denounce a proposal that would cut the annual level of legal immigration by 30 percent and restrict their rights to bring their foreign relatives here. Church organizations and immigration lawyers oppose pending cuts in the number of refugees and the rights of

Continued on Page B5

Continued From Page B1

people seeking political asylum.

And a proposed national computer system to enable employers to check the legal status of prospective workers has drawn opposition both from civil liberties groups, who fear it would lead to discrimination, and from anti-regulation libertarians and business groups, who see it as an expensive and invasive growth of government.

"Most of these groups have never worked together before," said Rick Swartz, a lawyer who started the National Immigration Forum and is instrumental in the current coalition. "Some of them may have found this difficult to imagine a year ago."

These groups do not speak with a single voice, nor do they have a single agenda. But the cumulative effect of their activities is expanding what was a one-sided debate about how immigrants are draining the American economy to include at least some emphasis on the role of immigrants in helping the country stay competitive in the global economy and in restoring forgotten inner-city neighborhoods.

While it is unclear whether they are having any impact beyond that, the opponents of the new restrictions seem to have pushed the Judiciary Committee to consider splitting the omnibus bill into two, one focusing on illegal immigration and the other on legal.

Representatives have been lobbied from all sides. Both the Massachusetts Immigration and Refugee Advocacy Coalition and the Reebok Shoe Company have lobbied Representative Barney Frank, a Democrat of Massachusetts who serves on the Judiciary Committee. The National Association of Manufacturers, Intel and the Cato Institute, a conservative study group in Washington, have lobbied Representative Lamar Smith, a Republican of Texas whose legislation contains the strong restrictions.

The most interesting union is between traditionally liberal immigration groups and pro-growth, free-trade conservative organizations, which defend immigration as a matter of principle and espouse the virtues of most immigrants. They have always agreed on the benefits of immigration, but rarely allied themselves publicly.

Steve Moore, an economist with the Cato Institute, called the restrictive proposals "anti-business, anti-family, anti-freedom."

And Luis A. Miranda Jr., the president of the Hispanic Federation of New York, said, "Unless we begin to educate the general public that immigrants don't make the cities and country worse, people see lack of employment, lack of opportunity and think we should close the door."

In June, President Clinton endorsed a recommendation of the Federal Commission on Immigration Reform to cut legal immigration by one-third. Dick Day, the chief counsel to the Senate Judiciary Subcommittee on Immigration, said the alliance fighting the proposals was "Washington groups and on the other side are the American people" who have asked for "some breathing space" from immigration. The subcommittee is led by Senator Alan K. Simpson, a Republican of Wyoming who is a chief proponent of the restrictive measures.

Representative Smith has said that opponents have overstated his bill's effect on both family members and skilled workers and that he was responding to a national consensus that legal immigration should be reformed.

John L. Martin, the research director of the Center for Immigration Studies, which supports the restrictive measures, said the opponents were "the very liberal element that is in favor of diversity in the country, business interests that benefit from a free flow of labor and people who simply don't like big government." He said the lobbying had led some members of Congress "to water down some of the proposals."

Opposition to the proposals has just recently been organized, two years after the anti-immigration movement began gathering steam behind California's Proposition 187, which bars illegal immigrants from public education and other benefits. California voters approved it overwhelmingly in November 1994.

"I think we are at the beginning of a pretty ferocious debate about the role of immigrants: Do we still want to be a nation of immigrants or do we want to throw up the walls and say 'No More'?" asked Frank Sharry, the executive director of the National Immigration Forum.

Pope John Paul II, during his United States visit last week, warned of the threats to the country's tradition of welcoming immigrants, a theme already sounded by the National Council of Catholic Bishops.

The anti-immigrant sentiment has created a sense of siege among immigrants, unifying ethnic groups that often exist in parallel worlds and stirring political activity in organizations initially established to serve the more basic housing and economic needs of immigrants.

"If you're a new immigrant, you're trying to hold down three or four jobs and get your kids in school," said Marjie McHugh, executive director of the New York Immigration Coalition. "There has not been time for political organizing. But because of what's been going on nationally in terms of the debate, it's speeding up that process."

The strength of the activism by immigrants and business leaders was demonstrated last month when, on one day, about 300 immigrants went to Washington to lobby members of Congress against restricting the immigration of family members. The next day, representatives of 65 companies organized by the National Association of Manufacturers and the American Immigration Lawyers Association showed up to make similar arguments against imposing restrictions on visas for skilled and professional workers.

Mr. Rubinstein, of Microsoft, disputed the contention that foreign workers were taking corporate jobs from Americans. He said that 25 percent of the job openings his company had last year — about 1,000 positions — remained vacant because qualified people could not be found, either here or abroad.

Last month, the National Immigration Forum held a series of news conferences in major cities to release a study titled "Together In Our Differences," profiling immigrant enterprises working to rebuild poor city neighborhoods.

The strong presence of business has added a new dimension to the issue, said Austin T. Fragomen, a New York lawyer who represents such companies as I.B.M., Procter & Gamble and Walt Disney. All three are concerned about how the proposals would restrict their freedom to hire foreign workers for jobs in the United States.

"When Congressmen think of immigration, they typically think of the Polish-American Alliance coming to beat up on them," Mr. Fragomen said. "They never had any idea business was interested in immigration."

Erskine/Leeann

Should we be supporting Rosa's work over Jeff Rusty's or Gus together? —

BL

THE PRESIDENT HAS SEEN
10/11/95