THE PRESIDENT HAS SEEN
11/4/95

November 1, 1995

RECOMMENDED TELEPHONE CALL

TO:	Maida Townsend, Vermont State Party Chair
DATE:	ASAP (tonight if possible)
RECOMMENDED BY:	Doug Sosnik and Eric Eve, Office of Political Affairs
PURPOSE:	To encourage her to seek re-election as Vermont State Party Chair.
BACKGROUND:	Maida is willing to put in another year as Chair, but she needs encouragement. She will be making a decision by tomorrow because the election is Saturday, November 11. It is very important to both Senator Leahy and Governor Dean that she stay on as state Chair through 1996. The person who is lining up to challenge her for Chair is 24 year old State Representative Steve Howard who is not supportive of you or Governor Dean. Maida Townsend is very supportive of both you and the Governor and Dean feels strongly that Howard would not work for effectively for the coordinated campaign in 1996. Both Governor Dean and Senator Leahy have full confidence in Maida's abilities as Chair. The three of them recently drew up a plan to eliminate the State Party's $50,000 debt and decided on a Leahy/Dean team for the Coordinated Campaign.
TOPICS OF DISCUSSION:	1. Thank her for her dedication to the Democratic Party and encourage her to seek re-election as Vermont State Party Chair.
CONTACT PERSON AND NUMBERS:	Maida Townsend Work: (802) 862-2361 Home: (802) 862-7404
DATE OF SUBMISSION:	11/1/95
ACTION:	11/3/95 - Done - She'll do it!

THE PRESIDENT HAS SEEN
11/6/95

by prisoners. Under the law, an individual's SSI payments are supposed to be stopped during periods of incarceration. While SSA has an effective program to suspend payments to prisoners in Federal and State prisons, obtaining comprehensive information on prisoners in local jails has been more problematic. SSA provided NBC with information about its cooperative efforts with prison officials to ensure that SSI payments are not made to prisoners.

VETERANS ADMINISTRATION

- **Tribute to Japanese American Veterans:** On November 8, Secretary Brown will participate in a tribute to Japanese-American veterans which will be held in Los Angeles. This event honors World War II Japanese-American veterans, and is being sponsored by the Japanese American National Museum.

- **Veterans Day Activities:** On November 11, Secretary Brown will participate in the Veterans Day wreath laying ceremony at the Tomb of the Unknowns at Arlington National Cemetery. Senior Department officials will participate in Veterans Day activities around the country.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Director's Activities Next Week:** On November 6, Director Brown will attend a meeting with Venezuelan Ambassador about counter-drug issues in Venezuela and the need for strengthened support of U.S. initiatives. On November 7, he will meet with physician leaders from throughout the country to discuss treatment and prevention issues and strategies. On November 8, he will deliver the keynote address to the "Save Our children" Conference in Clear Lake, Texas.

- **Stay Drug Free Announcements Aired:** On November 1, NBC began running ONDCP PSA, "Stay Drug Free! You Have the Power!" with football stars Dan Marino and Jerry Rice.

- **Participation in Montel Williams Program:** On November 3, Director Brown appeared in a special Montel Williams program on Drugs and Youth.

DEPARTMENT OF EDUCATION

Faxed on 11/6/95 M.

- **Aguilar v. Felton:** On October 25, Secretary Riley submitted into the record of the Senate Judiciary Committee's hearings on religious liberty a statement supporting efforts to have the Aguilar v. Felton decision reconsidered. In this decision, the Supreme Court found unconstitutional New York City's practice of providing instructional services on the premises of religious private schools to students attending the schools. The District Court ordered New York City to provide services through other means, including mobile vans and classrooms away from the private schools.

- **Secretary's Activities Next Week:** On November 9, Secretary Riley will participate in an anti-smoking event at a Potomac middle school.

- **National Education Goals Panel:** On November 9, Secretary Riley will speak at a press conference for the National Education Goals Panel. On November 10, he will travel to New

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Linda Lader

Fax Number: 202-638-4141 **Phone Number:**

FROM: Todd Stern

SUBJECT: Presidential note

DATE: 11/6/95

NUMBER OF PAGES (including cover sheet): 2

MESSAGE:

If all pages are not received, please call 202/456-2702

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BAER

THE PRESIDENT HAS SEEN
11/11/95

PRESIDENT WILLIAM J. CLINTON

RADIO ADDRESS ON THE BUDGET

ROOSEVELT ROOM

November 11, 1995

THE PRESIDENT HAS SEEN
11/11/95

Good morning. At midnight this Monday night, unless Congress passes legislation to keep the government running, the federal government will be required by law to begin shutting down.

For months, the Republicans have made a consistent threat: if I do not sign legislation cutting Medicare, education and the environment, they will plunge the government into default and force it to close its doors. I do not want to shut down basic government services to the American people. But I cannot allow ~~the threat of doing so~~ that to be used ~~as blackmail that will~~ to force us to accept extreme budget measures and that would violate what I believe are our basic values as a nation. and the welfare of the American people.

A great deal is at stake in this debate. This budget debate is about whether we will balance our budget -- which leaders of both parties support -- in a way that is consistent with our fundamental values -- our responsibility to our parents and to our children; our determination to provide opportunity for all Americans to make the most of their lives through good jobs, education and technology; our obligation to protect the environment and to keep America the world's strongest force for peace and freedom, for democracy and prosperity.

This budget debate is about two very different futures for America: about whether we will continue to go forward under our motto, E Pluribus Unum -- out of many, one -- whether we will continue to unite and grow, or whether we will become a divided, winner-take-all society.

Today, as I speak with you, the Republicans in Congress are on the verge of carrying out their threat. Let me explain how we have come to this juncture and why it is so important that we stand firm against measures that would endanger our future.

The Republicans proposed to balance the budget in seven years, but they would get there with deep cuts in Medicare, education, protection for the environment and by raising taxes on working people. Five months ago, I proposed to balance the budget in 10 years, while protecting Medicare, increasing our investment in education and protecting the environment, and w/o raising taxes on working families.

Since then, the Republican Congress has not met the deadlines established by law for setting this year's budget of the United States. The new federal fiscal year started on October 1. Now it is November 11, Veterans Day, and they still haven't sent me a budget, even though the Republicans control both houses of Congress.

This is very unusual. ~~In the last three years~~ in my first two years, we ~~have~~ passed budgets to reduce the deficit ~~on time~~ in a timely fashion. Also, this year, the Republicans have not come close to resolving their own differences in their overall budget plan between the measures passed in the House and the Senate. In 1993, we passed our def. reduction plan 3 mos earlier than this in August. That plan has given us 3 yrs of def. red. in a row (for the first time since 1947), US now has lowest def, as % of inc, of any nation except

Still, there have been times in our history when our budget process runs late. But when that happens, the differing sides, regardless of party, usually agree to find a fair, unbiased way to keep the government going and to enable the United States to pay its bills while the broader debate about budget priorities goes on.

That is what I worked out with Congress in September; they passed and I signed a simple straightforward bill to keep the government running and prevent America from going into default. That was the serious and responsible thing to do. (Applause) Thank you.

Last week, I met with the Republican leadership to try to find a way again to keep the government open and from falling into default. As I told them then, we should balance the budget, but we cannot do it under the threat of government shutdown and default. But instead of following the path of reconciliation, they have gone their own way.

This week they voted on an unprecedented measure. On Thursday night, as a part of their bill to keep the government going, both houses voted to attach an immediate 25 percent increase in Medicare premiums for every single senior citizen on Medicare. That is an extraordinary act. No Congress in our history has ever demanded an increase in Medicare premiums as a condition of keeping the government open. That's wrong, and I simply won't accept it.

And on this Veterans Day, they have a strange way of honoring all those men and women who have sacrificed for our country. Eight million of the senior citizens + disabled Americans whose Medicare premiums would be raised by Congress are veterans. And they deserve better.

The Republicans in Congress are also demanding deep cuts in education and the environment as a condition of keeping the government open. And they have conditions to the debt limit legislation that amount to a short-cut to default on the full faith and credit of the United States.

[Analogy to Power Company; will cut off power to your home, but instead of demanding that you simply pay your bills on time, they are demanding that you throw grandparents and children out of the house.]

I believe we ~~must~~ can find a good faith way to keep the government open and make good on its obligations. So I have asked my Chief of Staff, Leon Panetta, to meet with the Republican and Democratic leaders of Congress this afternoon. I have instructed him to present them with straightforward ideas to keep the government open, just as we did in September and just as Congress has done dozens of times before. But I will not allow them to impose new, immediate cuts in Medicare, education and the environment as a condition to keeping the government open.

I believe we can resolve these differences without hurting the American people or our future. All around us, we see evidence that American is on the move. Our economy is the envy of the world. And our deficit is already proportionally the smallest of any major economy in the world. Now, our challenge is to balance our budget in a way that is consistent with our fundamental values, and to do it without threats and partisan rancor. I believe we can do that. So let's get it done.

Thank you for listening.

THE PRESIDENT HAS SEEN
11-10-95

We have also received the following information items:

- **Note from Erskine.** Forwards a quote, "[t]here is no chance that government can consistently pass or revise laws or rules that affect technology as fast as technology changes" and notes that you "should keep this in the front of your mind as think about the telecommunications bill."

- **Memo from Mack on Sonny Montgomery.** Mack has talked to Gov. Winter about a function for Montgomery. Mack thinks it would be a good idea, though he calls to your attention that Montgomery voted with the GOP on the budget. Still, he has a distinguished record and strongly supported AmeriCorps. Mack thinks a "counter-scheduling" trip to Mississippi has merit. He asks how you'd like him to proceed.

- **Other items from Mack.** 1) Note to Terry Lemons of *Democrat-Gazette* praising his "even-handed" column on how Eaker AFB won the Border Patrol training center. 2) Letter to Lou Holtz thanking him for hosting President Balladres of Panama at Notre Dame. 3) Letter to Houston Mayor Bob Lanier saying you enjoyed your trip to Houston, especially your car ride with him and that you "referred to [his] initiatives and accomplishments" during your speech. 4) *Democrat Gazette* clip headlined, "Saudi jet buy means jobs for the state." Only disappointment was that NAFTA debate was on front page while this clip was on D-2.

Bowles

Ickes

THE WHITE HOUSE

WASHINGTON

95 NOV 6 A10:51

November 3, 1995

Mr. President:

I have talked with Governor Winter about a possible function for Congressman Sonny Montgomery, per your recent comments to me.

I think we can put something together that would be fitting and well received. However, I wanted you to be aware that since our discussion Sonny has voted with the Republicans on the budget.

I still think this idea has merit. Sonny is a good man and has a long and distinguished record of public service. We would not have passed Americorps without his support. Moreover, he holds you in warm and high regard.

Finally, I think a counter-scheduling trip to Mississippi is intriguing and has real merit. However, your schedule is a full one, and I did want you to be aware of Sonny's recent vote.

Please let me know how you want me to proceed.

cc: Leon Panetta

THE PRESIDENT HAS SEEN
11-10-95

(D) Stiglitz response on using consumption rather than income to measure welfare. In response to *New York Times* column citing Prof. Dale Jorgenson's assertion that consumption is a better measure of economic well-being than income, and that consumption is no less equally distributed than it was in the 1970s. Stiglitz agrees that consumption may be a better measure of welfare, but says that Jorgenson is factually wrong in saying that the inequality of consumption hasn't increased since the 70s. In fact, it has increased at least as quickly as the inequality of income.

(E) Reich memo on employment-based immigration. Public perception is that our system allows employers to obtain immigrant and temporary nonimmigrant labor at the expense of U.S. workers. Reich believes there is some basis for this perception and favors several reforms proposed by the Commission on Immigration Reform: (i) requiring employers to pay a substantial "training fee" for each immigrant worker. This would give employers an incentive to hire and train domestic workers and would yield funds for retraining programs; reduce number of employment-based immigrants from 140,000 to 100,000 per year. (Sen. Simpson and the AFL-CIO favor a cap of 75,000.) For nonimmigrant workers, Reich would prohibit employers from obtaining non-immigrant workers if they laid off U.S. workers in last 12 months; require proof that employers first make reasonable efforts to hire and retrain domestic workers; and reduce length of stay from six to three years. Reich will keep you updated on whether these proposals make it into pending Hill legislation.

(F) O'Connor memo on the "Ernie Pyle style." Via Harold. Summary of a recent issue of newsletter *Talking Back* analyzing the style and writings of Ernie Pyle and the way his columns effectively conveyed the human condition. Pyle's gift was to capture the feelings and attitudes of a given person and show how they were representative. The author (at pp. 18-19) criticizes a speech you gave praising teachers in which you spoke repeatedly of "diversity" without any intimate examples of what it means at a human level. Unlike Pyle, you never conjured a vision for the audience in human terms. Author says "Americans must be told again and again what it means to be part of this country, who we are, where we are going, and why." We have copied Don Baer and Michael Waldman.

(G) Thank you letter from San Diego Border Patrol Sector. Forwarded by Rahm. Johnny Williams, on behalf of all of the employees of the "San Diego Sector," thanks you for your letter and your strong support. Commends the Attorney General and Doris Meissner for their personal attention and invites you to visit.

Dorskind copied 11/11/95.

Original in/ag sent to Dorskind.

JRA

THE PRESIDENT HAS SEEN
11-10-95

UNITED STATES BORDER PATROL

SAN DIEGO BORDER PATROL SECTOR
POST OFFICE BOX 439022
SAN DIEGO, CALIFORNIA 92143-9022

95 NOV 3 P3:20

October 27, 1995

The President
The White House
20500
Washington D.C.

Dear Mr. President,

I am writing on behalf of all the men and women of the San Diego Sector to say thank you for your kind letter dated October 13, 1995. For you to take the time from your busy schedule to write this letter was a most welcome surprise. I have provided each agent in this sector a personal copy of your letter recognizing their achievements during the last fiscal year. We thank you, President Clinton, for your personal actions in providing us with the unprecedented agent resources and support that gave us the opportunity to succeed. You should also know that Attorney General Janet Reno and our Commissioner; Doris Meisner have been here throughout the year to ensure that the support, the agents, and the technology provided was on schedule and in place to get the job done. Their attention and focus have been key elements to our success. I would also like to invite you to visit our sector to personally see the progress we have made.

President Clinton, your letter has made a collection of some of the most professional, dedicated, and proud agents America has, a little prouder. Your words will most certainly bolster all of our spirits as we move forward in this new fiscal year to bring you and the American public even greater successes.

Respectfully Yours,

JOHNNY N. WILLIAMS
For All of the Employees of the San Diego Sector

THE PRESIDENT HAS SEEN
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U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

95 OCT 30 P4:33

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT B. REICH

DATE: OCTOBER 27, 1995

SUBJECT: UPDATE ON EMPLOYMENT-BASED IMMIGRATION

I thought it important to give you a brief update on developments in employment-based immigration policy in light of the potential for near-term congressional action and the issue's salience with the public.

Importance of this Issue

There is a growing public perception that the employment-based immigration system permits employers to obtain permanent immigrant and temporary nonimmigrant workers at the expense of U.S. workers. In some egregious cases, employers have used current law to lay off U.S. workers and replace them with nonimmigrants. In other cases, employers have simply failed to recruit, retain, and (most importantly) retrain U.S. workers. While acknowledging that a dynamic economy will create skill shortages, our consistent position has been that the central response must be to continually upgrade the skills of the U.S. workforce and that actual displacement of U.S. workers cannot be tolerated. Our system for giving employers access to global labor markets should be structured to remedy such defects, not acquiesce in them. And it should progressively diminish, not merely perpetuate, firms' dependence on the skills of foreign workers.

The Immigration Act of 1990 permits the admission of approximately 140,000 employment-based permanent immigrants each year. Applicants are admitted according to a hierarchy of skills. The "first preference" category is supposed to be reserved for people of truly exceptional qualifications. Yet, tens of thousands of permanent immigrants are accepted in the "second" and "third preference" categories with formal qualifications --- for example, a bachelor's degree --- which millions of Americans can equal or exceed. In addition, up to 65,000 nonimmigrant workers with even fewer formal qualifications can be admitted each year under the employment-based H-1B program for stays that can last as long as six years. In sum, there is some merit in the public's concerns.

The Status of Congressional Activities

The House Judiciary Committee is currently marking up its version of a comprehensive immigration bill. We expect Senator Simpson to file his version of an immigration bill in the next few days and begin a mark up in the Senate Judiciary

Committee's Subcommittee on Immigration by mid-November. Final House or Senate floor action is unlikely until 1996.

Labor Department Reform Proposals

I have been working to reform both the permanent immigrant program and the temporary nonimmigrant program.

A. Immigrant Program: The Commission on Immigration Reform proposed that each employer obtaining an immigrant worker should pay a substantial "training fee" which would, at once, (1) create a real incentive for employers to look first to the domestic labor market, and recruit, retain, and retrain U.S. workers; and (2) provide additional resources to help U.S. workers acquire the skills necessary to meet the our nation's needs. I strongly endorsed the training fee proposal in testimony before the Senate Immigration Subcommittee on September 28, 1995. We expect the training fee will be included in Senator Simpson's forthcoming bill. Accordingly, my staff is consulting with the Domestic Policy Council, the Immigration and Naturalization Service, and other involved agencies on additional elements of a new admissions system for immigrant workers of which the training fee is the centerpiece. In addition, the administration has already endorsed the Commission's recommendations to reduce the number of employment-based immigrants admitted annually from 140,000 to 100,000 and to discontinue allowing unskilled foreign workers to enter through the employment-based immigration program. Senator Simpson and the AFL-CIO prefer a cap of 75,000.

B. Nonimmigrant Program: We have also pursued an agenda to reform the employment-based nonimmigrant program. Since September 1993, I have urged Congress to adopt three amendments to the H-1B program: (1) a provision that would prohibit employers from obtaining nonimmigrant workers if they have laid off U.S. workers within the previous 12 months; (2) a requirement that employers make reasonable efforts to recruit and retain (and train) U.S. workers before they seek skilled foreign workers; and (3) a reduction in the permissible length of stay for nonimmigrant workers from 6 years to 3 years. The General Agreement on Trade in Services (GATS) agreement sharply restricts any changes in the nonimmigrant program (for example, the number of visas cannot be reduced below 65,000), but specifically reserves our authority to implement these three amendments. We worked closely, albeit unsuccessfully, with the Democrats on the House Judiciary Committee to include these amendments in the latest version of the House's comprehensive immigration bill. Unfortunately, the House bill will **weaken** protections for both U.S. and nonimmigrant workers. We expect to have more success with the collaborative effort being fostered by Senators Simpson and Kennedy, both of whom have shown interest in these three amendments.

I have attached, for your information, several articles and editorials that illustrate the salience of the employment-based immigration issue. I will continue to keep you informed as developments occur.

Attachments

White-Collar Visas: Importing Needed Skills or Cheap Labor?

By William Branigin
Washington Post Staff Writer

A large New York insurance company lays off 250 computer programmers in three states and replaces them with lower-wage temporary workers from India. A Michigan firm sends underpaid physical therapists from Poland to work at health care facilities in Texas. A company in California advertises that it can supply employers with "technical workers" from the Philippines at low pay.

Even the White House resorts to cheap technical help, using a company that imports most of its workers from India to upgrade the president's correspondence-tracking computer system.

As Congress considers major changes in immigration law, the Department of Labor and a number of professional associations and private citizens are citing cases such as these in urging an overhaul of a little-known immigration program designed to meet shortages of highly skilled workers in certain "specialty occupations." The debate highlights much broader dilemmas that the nation faces as it tries to decide how many foreigners to admit and what qualifications to demand of them.

Each year, tens of thousands of such workers from around the world are brought into the United States under the H-1B visa program, which admits computer programmers, engineers, scientists, health care workers and fashion models under "nonimmigrant" status.

Businesses say they need the program to obtain quick, temporary professional help that cannot be found in the U.S. work force. They say the visa category enables them to hire people with "unique" skills—the "best and brightest" that the world has to offer—and to compete in an increasingly tough global market.

Advocates of this and other employment-based visa programs cite numerous cases in which foreign professionals with special expertise have made valuable contributions to American science and tech-

See VISAS, A16, Col. 1

FOREIGNERS FOR HIRE
THE H-1B VISA PROGRAM

Half of all job openings certified for "specialty occupation" visas are for therapists, mostly physical therapists. The program's most common occupations:

Number of job openings certified, 1994	
Therapists	134,722
Computer-related	64,423
University/college faculty	7,919
Physicians/surgeons	5,330
Accountants/auditors	4,873
Fashion models	3,319

Approvals of specialty occupation visas:

nology and have helped create jobs in the American economy. But the Labor Department says the H-1B program also has been widely exploited to bring in thousands of foreign professionals and technicians whose chief attraction is that they are willing to work for much lower salaries than their U.S. counterparts. Many are imported by job-contracting firms known as "body shops," which recruit the foreign professionals and hire them out to major U.S. companies at a profit.

In many cases, "employment-based immigration is used not to obtain unique skills, but cheap, compliant labor," said Lawrence Richards, a former IBM computer programmer who formed the Software Professionals' Political Action Committee last year after colleagues were laid off and replaced by lower-paid programmers from India.

Richards and other critics of the H-1B visa program described the imported professionals as "techno-braceros," the high-tech equivalent of migrant farm workers.

They charged that the program is driving down wages in certain sectors, displacing American workers and bringing in foreigners who often are effectively "indentured" to their employers. In the long run, they predicted, it will accelerate the flight of high-tech jobs overseas, discourage American students from studying for those occupations and produce the very shortages it was designed to alleviate.

In addition, some immigrants have used the program to set up lucrative job-contracting concerns that discriminate against Americans in hiring, sometimes even as they receive federal assistance for minority-owned businesses.

To remedy what he says is a situation "fraught with abuse," Labor Secretary Robert B. Reich is seeking major reforms under immigration legislation now being debated in both chambers of Congress.

"We have seen numerous instances in which American businesses have brought in foreign skilled workers after having laid off skilled American workers, simply because they can get the foreign workers more cheaply," Reich said in an interview. The program "has become a major means of circumventing the costs of paying skilled American workers or the costs of training them," he added.

"There is abuse of the current non-immigrant system, but it is by no means overwhelming," argued Austin T. Fragomen, an immigration lawyer who represents major U.S. corporations. "To the extent there is abuse, [it] occurs among small, relatively unknown companies" and should be "controlled through more effective enforcement," he said in written Senate testimony last month.

"It is minimally widespread," said Charles A. Billingsley, of the Information Technology Association of America, a pro-immigration group. "Are

The Washington Post

AN INDEPENDENT NEWSPAPER

Immigrants With Skills

THERE ARE TWO ways to view the impact on the national interest of allowing skilled workers and professionals to come to the United States as immigrants. One camp has it that welcoming these foreigners is an unmixed blessing. They are highly trained, either at the professional level or with skills acquired over a number of years. They are eminently employable, will be no drain on the welfare system and will make a real contribution to the country. All of this is true. Others reply that there are plenty of highly trained Americans—many of them college graduates—who could and should be filling those job slots. They point out that without foreign competition, Americans would compete for and perform well in these jobs. This is also true. In the coming months, Congress will try to find some middle ground.

The total number of immigrants and refugees admitted into this country (now 800,000 a year) will almost certainly be reduced by Congress. The final figure will be somewhere between 400,000 and 550,000 a year. The mix will also shift, with peripheral relatives such as married siblings excluded and the percentage of available places allotted to skilled workers rising. But because the total will be smaller, the actual number of spots for skilled workers will go down from the present 140,000 a year to something in the 75,000 to 100,000 range.

American manufacturers are complaining. They like the system as it is: fairly simple to get a temporary visa for a worker (permission from the Labor Department is not needed) and five years later to get a permanent visa. The system works so well for them, in fact, that there is no backlog of visa applicants in this category, and the authorized 140,000 places are not filled.

Immigration of those with skills should be encouraged, and the restructuring now being considered gives added weight to this priority. But it is also important to put the needs of American workers first. The Commission on Immigration Reform, chaired by former representative Barbara Jordan, has recommended, for example, that employers bringing in foreign skilled workers be required to pay a substantial fee—perhaps one-third of the first year's salary—to a designated private-sector initiative dedicated to developing a well-trained American work force. More to the point, they should also be required to conduct a nationwide search for workers here, offering 105 percent of the prevailing wage, before being allowed to hire foreigners. These suggestions are worth exploring.

WASHINGTON POST

AUG 14 1995

Lars-Erik Nelson

Unwelcome Guests

Larry Richards, a contract software programmer in Austin, Tex., has all the advanced skills a fellow needs to compete in this high-tech world. Still, he has been watching his hourly freelance rate drop from $45 an hour to $30.

Richards knew that IBM, his main client, has been subcontracting to a firm that imports low-paid programmers from India on temporary work permits.

So he decided to find out what he was up against. Posing as a businessman, he wrote to the Labor Department requesting permission to import 20 computer programmers from India with a proposed pay rate of $5 an hour.

"The Labor Department approved my plan in six days," Richards said.

Deep thinkers from Labor Secretary Robert Reich to House Speaker Newt Gingrich keep telling us that in a global economy, education is the key to the high-wage jobs of the future.

It's a wonderful theory, but in the real world, the Indians, the Chinese, the Poles, the South Koreans and the Russians have excellent educations and are more than willing to come to America, live in dormitories and work for whatever they can get. This is still the land of opportunity.

How much do they earn? Nobody is quite sure. But a frightened friend tells me that one telecommunications company vice president recently threatened his employees that if they didn't shape up, he could bring in programmers from India for $8,000 a year.

In theory, such guest workers are supposed to be scientists of extraordinary skills who are urgently needed by U.S. employers because no Americans are capable of performing their work. In theory, too, the guest workers are supposed to be paid the prevailing U.S. wage so that they do not undercut the wage scales of American workers.

In reality, Richards's plight is not an isolated case. CBS News reported a couple of months ago about American International Group, a Livingston, N.J., insurance company that laid off 250 workers and replaced them with "temps" from India. In California, Hewlett-Packard has been sued for employing a contractor, Tata Consultancy Services, that has been accused in court of importing Indian programmers and treating them like indentured servants.

And even the White House has turned to cheap foreign labor. The Kansas City Star reported last week that the U.S. government has been using Mastech Corp., which has brought in 850 of its 1,200 computer specialists as guest workers, to upgrade the correspondence tracking system. Mastech, which is owned by two immigrants from India, qualifies for government preference as an economically disadvantaged minority contractor.

These low-wage technicians are being imported, mind you, at the same time that a downsized U.S. defense budget is throwing hundreds of thousands of highly skilled American workers onto the job market.

How does this abuse occur? Richards does not blame Labor Secretary Robert Reich. The law requires Reich to grant approvals for guest workers within seven days. Employers looking for cheap labor don't like to wait.

Under the law, nearly 200,000 foreign workers can be brought into the U.S. each year. The first preference is for extraordinary talent in science, the arts or education. Then come executives of multinational corporations, skilled workers, athletic stars, workers in short supply (pizza bakers, believe it or not), religious workers and foreigners who propose to invest here.

To obtain a permanent work permit, the employer must pay the prevailing wage and prove that no qualified Americans are available. To get temporary permits, the employers need not look for qualified Americans first.

The requirement that guest workers be paid "the prevailing wage" has a glaring loophole. The prevailing wage is not what American programmers actually earn; it is what the subcontractor, like Tata Consultancy Services, pays the rest of its foreign workers. IBM can rightly say, as it has, that it does not know what Tata pays; it simply gives Tata the contract and the job gets done.

Under a revised immigration law wending its way through Congress, some of these abuses might be cut back. One proposal would require that a company bringing in foreign workers would not be allowed to lay off an American employee between six months before and three months after the foreigner is hired.

Another proposal would redefine "prevailing wage" to bring the subcontractor wages up to industrial standards. Also, an employer who did lay off Americans to make way for foreign replacements would have to pay the foreigner 110 percent of the laid-off worker's salary.

But the reality is that in a global economy and with free trade firmly ensconced as our political religion, the prevailing wage is increasingly going to be the global wage—the wage of India, China or Vietnam—no matter how much education you get.

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U.S. workers being put out of work by foreign workers? Probably. But the occurrence is minuscule." In any case, he said, H-1B visa holders account for only "a fraction of the U.S. work force."

Such arguments are not much comfort to John Morris, who owns a computer consulting firm in Houston. He said he lost his largest customer, a major oil company, when he refused to supply it with cheap foreign programmers.

"Greed is the reason they're doing this," Morris said. "Anybody who says it ain't greed is smoking rope."

He said he also has turned down a Chinese company's offer to provide programmers for placement at $500 a month in jobs that usually would pay $5,000 a month.

"The Chinese are desperate to get in here," Morris said. "This is economic warfare."

In 1990, Congress passed an immigration act that raised a cap on permanent employment-based immigration from 54,000 to 140,000 a year in response to fears of an imminent shortage of scientists, engineers and other highly skilled professionals. A separate provision created the H-1B visa category, which lets in as many as 65,000 professionals a year for stays of up to six years. These workers are supposed to be paid "prevailing wages" and not used to break strikes.

The H-1B provision requires no test of the U.S. labor market for the availability of qualified American workers, and it does not bar businesses from replacing U.S. workers with "temporary" nonimmigrants.

In practice, critics say, "prevailing wages" have been defined too broadly to prevent many job contractors from significantly undercutting the salaries usually paid to Americans. Moreover, the anticipated shortages did not materialize, in part because defense industry cuts after the end of the Cold War added to the ranks of an estimated 2.3 million Americans who have been laid off so far this decade.

In Senate testimony last month, Reich called on Congress to prohibit employers from hiring nonimmigrant workers in place of Americans who were laid off. He said companies should be required to show they had tried to "recruit and retain U.S. workers" in the occupations for which nonimmigrants were sought. He also recommended that the permitted stay of these workers be reduced to three years.

"Hiring foreign over domestic workers should be the rare exception, not the rule," Reich said.

The labor secretary noted that although nonimmigrant workers are admitted on a "temporary" basis, many stay for years, sometimes illegally. More than half of foreigners granted permanent resident status in fiscal 1994 originally came in as nonimmigrant students or "temporary" workers, Reich said.

In response to "abuse" of the nonimmigrant programs, over the past three years the Labor Department has charged 33 employers with wage violations involving more than 400 workers in physical therapy and computer-related occupations.

In one case, the department found that an Indian-owned firm in Michigan called Syntel Inc. had "willfully underpaid" its Indian computer programmers, who came to the United States under H-1B visas and made up more than 80 percent of the company's work force.

In November last year, American International Group, a large Manhattan-based insurer, laid off 250 American programmers in New York, New Jersey and New Hampshire and transferred the work to Syntel. Syntel assigned some of the work to about 200 Indians it had brought in, reportedly at about half the Americans' salaries, and gave the rest to much lower-paid employees at its home office in Bombay. During their last weeks of employment, the laid-off U.S. workers were even required to train their replacements, Reich said.

"It was clear that Syntel did not bring in any special skills that we did not have," said Linda Kilcrease, one of the full-time programmers who lost their jobs.

Another Michigan company, Rehab One, was found by the Labor Department to have underpaid physical therapists it brought in from Poland. The workers, who came in with H-1B visas, were assigned to U.S. health care facilities, primarily in Texas, and were paid as little as $500 a month, the department found.

In New Jersey, a major shipping company, Sea-Land Services, laid off 325 computer programmers this year and replaced them with Filipinos supplied by Manila-based Software Ventures International. The Americans, who were paid about $50,000 a year on average, also had to train the lower-paid Filipinos, most of whom eventually returned to Manila to carry out the work even more cheaply there.

"I was outraged," said Jessie Lindsay, one of the former Sea-Land programmers. "These were highly paid

(3)

White Collar Visas

technical jobs leaving the country.... What's the point of getting an education and technical training if companies can get away with hiring at slave wages?"

Mastech Corp., of Oakdale, Pa., a company owned by two Indian immigrants that has won millions of dollars in consulting contracts with the federal government, has brought in about 900 of its 1,300 workers from India under the H-1B program. From 1991 until Sept. 30, one of its contracts, obtained under a set-aside program for minority-owned businesses, involved "computer system integration, installation, maintenance and operational support for the White House correspondence system," the presidential press office said.

"We have been lumped in with some other companies that allegedly underpay their foreign workers," a Mastech executive said. "We are not a low-paying company."

One of the latest controversies over the H-1B program erupted last month after it was reported that the National Association of Securities Dealers had laid off 30 contract computer programmers and hired an Indian firm, Tata Consultancy Services, to do the work. The government-chartered association, based in Rockville, Md., owns, operates and regulates the Nasdaq Stock Market. Tata, which has a regional office in Silver Spring, is part of a huge Indian conglomerate that company officials say produces everything from tea to computer software.

An NASD spokesman, Marc Beauchamp, said Tata would employ about 40 people on the project, half of them working here on H-1B visas and half at Tata's home office in Bombay. He denied that any full-time NASD employees were fired and said that "fewer than 20 outside contractors could possibly be affected" by the move.

The Indians essentially would be maintaining "outmoded technology" so that regular NASD programmers could "focus on new technologies" and perform "more challenging work," Beauchamp said. "We found it made no business sense to hire programmers that we would have to pay more than, or as much as, the people we have on staff," he said.

Neither NASD nor Tata would disclose details of the contract. However, Tata insisted that it follows all U.S. regulations and wage requirements.

"We are not a body shop," said A. Sruthi Sagar, the firm's personnel manager. "We are not in the business of providing cheap labor to the United States."

H

3

THE PRESIDENT HAS SEEN

11-10-95

THE WHITE HOUSE

WASHINGTON

November 7, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
PHIL CAPLAN

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Samuels memo on estate tax relief for farmers/small business.** The Senate Finance Committee tax bill includes a proposal that would exempt the first $1.5 million in value of a family business or farm from estate tax and 50% of the amount between $1.5 and $5 million. The benefit would be $1.75 million for businesses valued at $5 million or more. The proposal is scored at $5.5 billion over 7 years and $11 billion over 10 years. Treasury opposes this proposal as an excessive benefit to wealthy persons. Treasury has an alternative proposal that would modify current law and cost only $1.3 billion over 10 years. Current law allows a deferral on the estate tax for certain closely held businesses and farms such that only interest is required to be paid for the first five years, and interest on the first $1 million in value is held at 4%. Treasury would increase the cap eligible for the 4% rate to $2.5 million and make certain adjustments to broaden the range of businesses that are eligible.

I'd see Congress a big fan because I like raising the exemption from 650,000 to 1 or 1.5M

Laura

(B) **Rasco/Tyson memo on GOP Medicaid numbers.** Late last week, the White House released a state-by-state analysis of the federal dollars each state would lose under the Medicaid block grant proposals contained in the GOP reconciliation package. These materials will further inflame the inevitable formula fight GOP faces. Analysis was based on the Medicaid reduction projections GAO provided to the Republicans; it was released to the media, to state budget directors and other interested parties. We also released information documenting that GOP continues to fall short on the nursing home, spousal impoverishment and low-income elderly protections.

(C) **Stiglitz response to *Washington Post* op-ed on stabilization policy.** Via Laura. Op-ed ("Mexico's Made-in-USA Mess") argues IMF's and World Bank's so-called "Washington Consensus" policies to fight inflation devastated Mexico and Chile. Stiglitz disagrees. Washington Consensus policies like reducing budget deficits and restraining monetary growth are essential steps in fighting inflation; what caused financial crises in Mexico and Chile were, instead, overvalued and unsustainable fixed exchange rates. While pegging an exchange rate can reduce inflationary pressure, the danger is that unless inflation falls quickly, exporters -- because of an overvalued currency -- will be squeezed between rising domestic costs and constant revenues.

DEPARTMENT OF THE TREASURY
WASHINGTON

THE PRESIDENT HAS SE
11-10-95

ASSISTANT SECRETARY

CLOSE HOLD

October 23, 1995

95 OCT 26 P1:03

MEMORANDUM FOR PRESIDENT CLINTON

FROM: **LESLIE B. SAMUELS** LBS

THROUGH: **SECRETARY RUBIN** RR

SUBJECT: **ESTATE TAX PROPOSAL TO SUBSTITUTE FOR SENATE FAMILY-OWNED BUSINESS PROPOSAL**

We understand that you are interested in a proposal that would offer estate tax relief to farmers and small business owners. We testified before the Senate Finance Committee in June 1995 in support of such relief. We view the problem of farmers and small business owners as a liquidity problem and support the notion that the heirs of such individuals should not be forced to sell the farm or business in order to pay estate taxes. In reviewing this area, it is noteworthy that of the 2.2 million Americans who died in 1989, only about 1% owed an estate tax. Of those 23,000 taxable estates, about 8,000 reported closely held businesses or farm assets.

The Senate Finance Committee tax bill includes an estate tax proposal to benefit family businesses by exempting from the estate tax the first $1.5 million in value of the business as well as 50% the value of the business between $1.5 million and 5 million. The Senate bill thereby gives an estate tax reduction in excess of $1,750,000 to any decedent owning a family business valued at $5 million or more. We believe that this proposal gives an excessive benefit to wealthy individuals. In addition, the proposal would be subject to abuse and is likely to become an estate tax loophole that enables many wealthy people to reduce their estate taxes. The proposal is scored at $5.5 billion over 7 years and $11 billion over 10 years, and is expected to benefit approximately 3,000 estates annually.

The Senate Finance Committee proposal is based on a bill introduced by Senator Dole that had no cap on the value of the business and thus would have provided significant benefits to owners of the largest family-owned businesses in the country, including many individuals on the Forbes 400 list.

Our alternative proposal described below more directly addresses the liquidity problem faced by small business owners and farmers, and does so at a much lower cost.

We propose to expand the availability of estate tax deferral in order to address the liquidity problem of estates owning small businesses and farms. Under current law, the estate tax on certain closely-held businesses (including farms) can be paid over, at most, a 14-year period. For the first five years, only

interest is required to be paid. To qualify for the deferral, the business must be an active trade or business, the value of the decedent's interest in the business must exceed 35 percent of the decedent's adjusted gross estate, there must be 15 or fewer partners or shareholders, and the decedent must have owned at least a 20 percent interest in the business. A special four percent interest rate applies to the tax deferred on the first $1,000,000 in value of the business. If the decedent owned the business through a corporate holding company, the extended payment plan is available, but the estate may not take advantage of the four percent interest rate or the five year interest-only deferral period. In addition, the special holding company rule only applies to non-readily tradeable stock.

We would amend current law as follows:

- Increase to $2,500,000 the cap on the value of business and farm property eligible for the four percent interest rate. The value of the $1,000,000 cap, which has been in place since 1987, has been seriously eroded by inflation.

- Extend the eligibility for deferral to businesses the top tier entities of which are partnerships or other entities. The existing distinction between holding companies (which are eligible) and other entities is illogical.

- Permit business interests held through holding companies, partnerships or other entities to take advantage of the four percent interest rate and the five year deferral, and remove the restriction on non-readily tradeable stock that applies only to holding companies. This would equalize treatment for deferral purposes as between businesses held directly by the decedent and those that are held indirectly through an intermediate entity by, among other things, permitting all estates 14 years to pay the estate taxes (unless the business is sold).

The cost of this package of proposals has been estimated at $1 billion over 7 years and $1.3 billion over 10 years.

The package described above can be adjusted to fit revenue targets by adjusting the amount subject to the 4% interest rate, the interest rate itself, and the period over which the tax is payable.

cc: Laura Tyson

THE PRESIDENT HAS SEEN
11-10-95

November 6, 1995

Memorandum

To: **THE PRESIDENT**

From: **Nancy Hernreich** 21
Jenny Ritter

Re: **Edwin Yoder Column**

Edwin Yoder's November 6 column criticized Newt Gingrich's comments on Quebec's separation referendum. Mr. Gingrich said the referendum was "a serious warning to all Americans that allowing bilingualism to continue to grow is very dangerous and that we should insist on English as a common language." Yoder argues that Quebec's problems are not exclusively linguistic or cultural. He states that the "most ruinous explosion of secessionist passions" are in the former Yugoslavia, a common language nation. "Professor Gingrich needs to do more homework," he adds.

Bad log
FYI
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The Washington Post Writers Group

1150 15th STREET, N. W., WASHINGTON, D. C. 20071-9200
TEL: (202) 334-6375 (800) 879-9794

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^bc-yoder-column advIMMEDIATE<
^EDWIN YODER COLUMN<
^(FOR IMMEDIATE RELEASE, Normally Advance for Monday, Nqvember 6, 1995)<
^(For Yoder Clients Only)<
^By EDWIN M. YODER, JR.=

WASHINGTON--Leave it to Newt Gingrich to trivialize the controversy that is shaking our good neighbor Canada to its roots. The speaker of the House views Quebec separatism (a referendum on which failed for the second time in 15 years, but this time by the narrowest of margins) as a parable of the dangers of bilingualism.

Quebec's referendum, he says, is ''a serious warning to all Americans that allowing bilingualism to continue to grow is very dangerous and that we should insist on English as a common language.'' Gingrich and others want English given status by law as the official language of the United States.

Those who've had an eye on the Quebec question for a bit longer than a week know that while defensiveness about French language and culture is central to the problem, it is far from the whole of it. The story originates on the Plains of Abraham, the site of the mid-18th century English victory over the French and the beginning of the English supremacy in North America.

The differences between the French and the English in Canada used to be explained in the textbooks of my youth as a difference between the sedate, town-dwelling English colonists and the mercurial French, trapping and running in the woods with the Indians and never really settling anywhere. While the English political ascendancy was uncontested, no corresponding cultural supremacy was ever established--save, perhaps, in the minds of the more paranoid French separatists.

All over the world today, there is a reinvigoration of ethnic/nationalist aspirations. The latest round of Quebec

(more)

separationism may have taken a cue from that revival. In any case, no one, anywhere, has discovered a magic formula for defusing the force of romantic and linguistic nationalism.

But where government respects civil society, disputes of this kind need not reach fighting words. The Canadian federation has managed over the years to avoid cultural centralism. Quebec, notwithstanding the sensitivity of its Francophone nationalists, is witness to the fact. Quebec continues to be as ''distinct'' a society as it wishes to be. It was and is under no threat of assimilation by the English language or even the ultra-Protestant Scots who form the other pole of Canadian subculture. Canadian federal politics have largely been dominated by the Liberal Party, with a strong Quebec base, led by prime ministers with names like Trudeau and Chretien. Official life in Canada is insistently bilingual.

In some ways, the benevolent genius of English dominance has, at times, aggravated Francophone nationalist feeling. In his fascinating report of the mid-1960s, ''O Canada,'' the American critic Edmund Wilson quotes a notorious editorial in which a French-language newspaper compared the British approach to Quebec with its paternalist approach to ''one of their African colonies. ... It would never occur to them to demand of a Negro king that he conform to the high moral and political standards of the British. ... They pardon in M. Duplessis, chief of Quebec's natives, what they would not stand for in one of their own.'' (The ''chief'' referred to was Maurice L. Duplessis, the corrupt Huey Long-like premier who dominated Quebec for long years between 1936 and his death in 1959.)

The recent separatist agitation, led by figures like Pierre Leveque and, more recently, Jacques Parizeau, has involved a rhetoric far fiercer than its aims. Even in the recent referendum, the proposition before Quebec's voters had been watered down to an authorization to seek constitutional protections of Quebec's distinctive culture. That is what a ''yes'' vote meant. The Quebec separatists apparently want a sort of veto whose parallel in American history was the nullification

theory propounded by the state of South Carolina in the tariff controversy of the 1820s. The English-speaking provinces are reluctant to grant such a veto and the quest for compromise destroyed the last Tory prime minister, Brian Mulroney, and decimated his party in the federal House of Commons.

If there is a ''lesson'' in the neighboring struggle for us, it is that the issues are complicated and extend well beyond ''bilingualism,'' which is and has been a benevolent fact in Canada. Gingrich forgets that the most ruinous explosion of secessionist passions in the world today--in the former Yugoslavia--occurred in a federation whose warring parties spoke the same language, Serbo-Croat. Professor Gingrich needs to do more homework.

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U.S. Department of Justice
Immigration and Naturalization Service

THE PRESIDENT HAS SEEN
11-10-95

To the President -
FYI on
your inquiry on
immigration bills.

Office of the Commissioner 95 NOV 6 A10:20

425 I Street NW.
Washington, DC 20536

November 1, 1995

MEMORANDUM

I agree w/ Bill Weld we need to move now

TO: Rahm Emanuel
Assistant to the President

FROM: Pamela Barry P.B.
Director of Office of Congressional Relations

RE: Status of Immigration Legislation

The House and Senate are both considering major immigration legislation this Congress. There is a strong interest in both houses to strengthen enforcement of the immigration laws and to cut the level of legal immigration into the United States. H.R. 2202, the "Immigration in the National Interest Act," is pending in the House of Representatives. This bill covers both legal and illegal immigration. S. 269, the "Immigrant Control and Financial Responsibility Act" -- Senator Simpson's illegal immigration bill, is pending in the Senate Judiciary Committee. We expect Senator Simpson to introduce shortly a bill to cut the level of legal immigration into the United States. This memorandum sets forth the status and content of the House and Senate bills, the Administration's position on the legislation, and our strategy to advance our legislative agenda.

I. Status and Content of H.R. 2202

H.R. 2202 was introduced by Representative Lamar Smith, Chairman of the Immigration Subcommittee of the House Judiciary Committee, and was favorably reported by the Judiciary Committee last week. The Committee spent six weeks marking up the bill and reported it out with the support of all the Republicans and only three Democrats on the Committee. The bill has been referred to six other Committees in the House and no Floor action is expected this Session.

As reported out by the Judiciary Committee, H.R. 2202 includes the following key provisions:

- First, the bill survived efforts to separate legal immigration and illegal provisions into two separate bills. For now, both illegal and legal immigration provisions are contained in one bill. The House Republican leadership is considering now whether to split the bill in

order to slow down legislative changes to legal immigration. Majority Leader Armey and many Southern California Republicans support this approach.

- Second, H.R. 2202 includes a number of provisions that are contained in the Administration's immigration enforcement bill. These consist of an authorization for additional Border Patrol agents, expedited exclusion procedures, increased penalties to combat alien smuggling and the use of fraudulent documents, and special procedures to remove alien terrorists from the United States.

- Third, H.R. 2202 would require INS to conduct employer verification pilot projects of all employers in at least five states with high populations of illegal aliens.

- Fourth, the bill tightens up procedures for applying for political asylum, and includes an amendment, offered by Chairman Hyde, to broaden the grounds for political asylum to include "coercive birth control" and harm resulting from "other resistance to a coercive population control program."

Finally, H.R. 2202, as amended, would reduce the level of legal immigration into the U.S. It would achieve cuts by eliminating or severely restricting the eligibility of sons and daughters, brothers and sisters, and parents of U.S. Citizens.

II. Status and Content of S. 269

The Senate Judiciary Subcommittee on Immigration favorably reported S. 269, the Immigrant Control and Financial Responsibility Act of 1995. Senators Kennedy and Simon opposed the legislation. The bill, introduced by Senator Alan Simpson, is now pending at the Judiciary Committee. S. 269 deals only with illegal immigration. Senator Simpson is expected to introduce a bill to significantly cut the level of legal immigration and consideration will be given at that time to merging legal and illegal immigration into one Senate bill.

Like the House bill, S. 269 increases border control efforts and toughens penalties for document fraud and alien smuggling. The bill would also require INS to test employment verification systems in five states and would require the federal government to automate verification of employment and public assistance eligibility within one year of enactment.

The Senate is not likely to act quickly absent action in the House.

III. Administration Position on Pending Legislation

The Administration supports tough measures to improve our enforcement of illegal immigration and a reduction in the level of legal immigration. The House and Senate bills contain numerous provisions that the Administration supports, and others that raise concern.

Nov. 1. 1995 7:23PM CONGRESSIONAL No. 7490 P. 3/5

- **The Administration generally supports the enforcement provisions in the House and Senate bills.** Many of the enforcement provisions contained in the House and Senate bills were actually proposed by the Clinton Administration. These include enhanced penalties for alien smuggling and document fraud, an increase in the size of the Border Patrol, and expedited exclusion procedures.

- **The Administration has concern with the approach used in the House bill to cut legal immigration.** The Administration agrees with the need to cut the overall level of legal immigration – at least to a level recommended by the Jordan Commission. However, the Administration has argued for the preservation of categories that allow close family members of U.S. Citizens to come to the United States.

- The Administration is working with Congress to address other limited concerns with House and Senate bill provisions on employment verification projects, political asylum reform, and other miscellaneous provisions in the bills.

IV. Administration's Next Steps to Advance Immigration Legislation

The Administration has taken the position that Congress should pass legislation that provides the INS with tools to enforce immigration laws and that cuts the level of legal immigration. However, there are many initiatives that the Administration is working to advance that will proceed with or without legislation.

A. Push Congress to Act Now

The Administration is waiting for tools contained in the House and Senate bills to improve enforcement of our immigration laws. It is time now to place pressure on Congress to act promptly. There is bipartisan support for the illegal immigration provisions and the legal immigration reforms, being much more controversial, have slowed the legislation down. Statements by the Commissioner of INS and letters from the Department of Justice have called on Congress at a minimum to provide the enforcement tools without delay. The Administration has advocated a reasonable position on legal immigration and will work with Congress to enact appropriate reforms consistent with our position -- whether it is in the same or a different bill from illegal immigration reform. Congress may need time to debate legal reform, but should be ready to adopt illegal enforcement measures now.

We should plan a series of public events to highlight the need for legislation. We need increased penalties, additional resources, and new investigative authorities in order to improve worksite enforcement, close holes in the border and deport criminal aliens.

Nov. 1. 1995 7:23PM CONGRESSIONAL No. 7490 P. 4/5

B. Advance Non-legislative Enforcement Efforts

The Administration has an aggressive plan to enforce our immigration laws and has undertaken dramatic new initiatives to advance border control, improve worksite enforcement and remove criminal and other illegal aliens from the United States. We have to let the American people know that we will not wait for Congress to act. We will advance our enforcement efforts using administrative authority, innovative policies and commitment.

As we announce new initiatives and detail ongoing operations, INS, the Justice Department and the White House should make note of the fact that we are moving forward even if the Congress is not.

C. Work with House and Senate to Address Specific Concerns with the Legislation

The Department of Justice will continue to work with Democrats and Republicans on the House and Senate Judiciary Committees, the Congressional leadership, and with Members who have evidenced a strong interest in the immigration legislation to address specific concerns with the bills. To date, we have made great progress through negotiations and amendments in moving the legislation closer to the Administration's position on employment verification, specific enforcement strategies, and border control.

Nov. 1. 1995 7:24PM CONGRESSIONAL No. 7490 P. 5/5

THE PRESIDENT HAS SEEN

10-10-95

Bill, Sorry I continue to believe this is an important issue. I'm sure we could reach an agreement in Bosnia on exp. if we got Congressional support. B.C.

VP POTUS
F
from HRC

PATRICK J. LEAHY
VERMONT

UNITED STATES SENATE
WASHINGTON, D. C. 20510

October 31, 1995

Dear Hillary,

As always, it is good seeing you and having a few moments to chat.

I so appreciated your concern and interest in the antipersonnel land mine issue. Although there is an enormous amount of material I could send you on this important issue, I have enclosed but a few articles that I thought you and the President would find most informative.

Sincerely,

Pat

This issue is a growing one. It is interesting that support for a landmine moratorium goes across party lines.

Pat

Mrs. Hillary Rodham Clinton
The White House
Washington, DC 20500

The World

Everywhere, Weapons That Keep On Killing

By CHRISTOPHER S. WREN

UNITED NATIONS

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

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

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

Always Planting

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

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

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

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

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

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

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

No Civil Wars

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

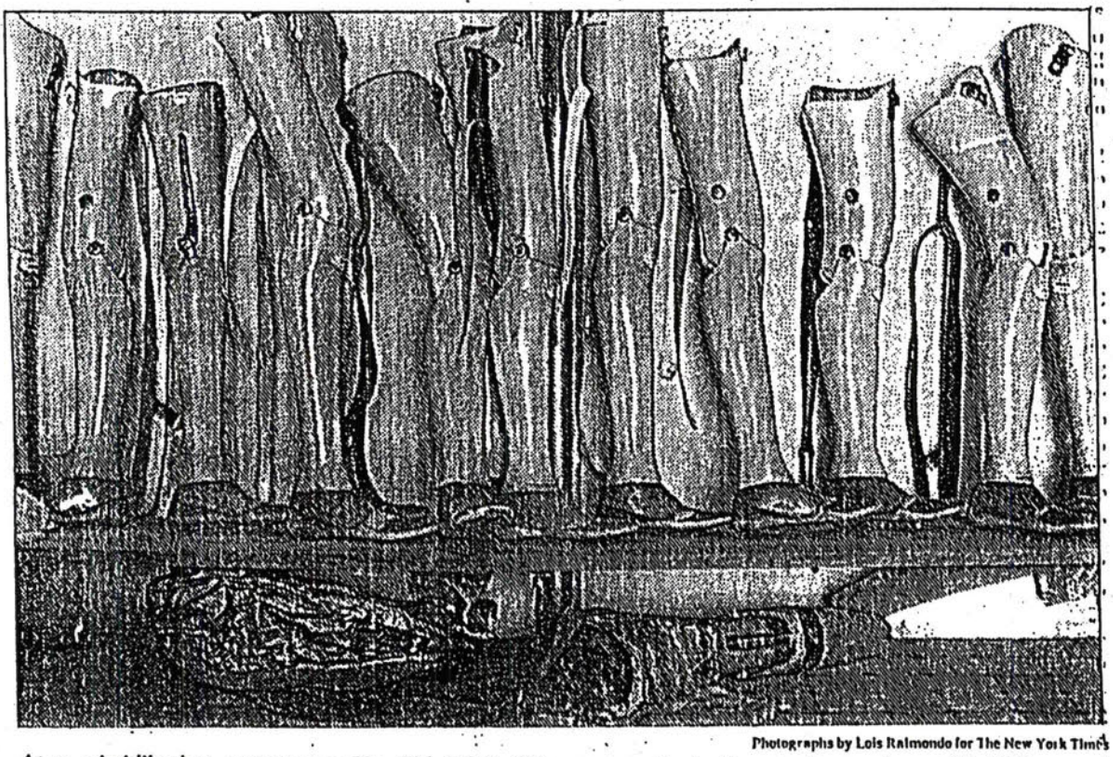
Mine warfare dates to the American Civil War, when General William Tecumseh Sherman, who was never squeamish, denounced land mines as a "violation

They Walk With Fear

Countries where the most land mines are deployed, according to the most recent United Nations estimates. For some countries, like Vietnam, there is too little information for them to be included in the estimates.

	TOTAL LAND MINES	AVERAGE LAND MINES PER SQ. MILE
Egypt	23,000,000	59
Iran	16,000,000	25
Angola	15,000,000	31
Afghanistan	10,000,000	40
Cambodia	10,000,000	142
China	10,000,000	3
Iraq	10,000,000	60
Bosnia-Herzegovina	3,000,000	152
Croatia	2,000,000	92
Mozambique	2,000,000	7
Eritrea	1,000,000	28
Somalia	1,000,000	4
Sudan	1,000,000	1
Ukraine	1,000,000	4
Ethiopia	500,000	1
Yugoslavia	500,000	13
Jordan	207,000	5

Source: United Nations Department of Humanitarian Affairs



Photographs by Lois Raimondo for The New York Times

At a rehabilitation center near Ho Chi Minh City, new patients line up to receive artificial legs and wheelchairs. Some lost legs during the war, and some more recently, when land mines planted long ago exploded. Two such centers, financed by a Vietnamese-American, have aided 13,000 amputees since 1991.

of civilized warfare." A century later, as many as a third of American casualties in Vietnam were caused by mines, many of them American-made.

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

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

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

Self-Destructing

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

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

Bill to Restrict Land Mines May Be Defused on Hill

Clinton backs off from moratorium before UN conference

By Jonathan S. Landay
Staff writer of The Christian Science Monitor

WASHINGTON

THE high-profile battles raging on Capitol Hill over the B-2 bomber and other multi-billion dollar armaments are overshadowing a fight over the proliferation of low-tech weapons that often cost no more than a Saturday matinee: land mines.

At issue is legislation that would require the US military to observe a one-year moratorium on using "antipersonnel" land mines, except along international borders or in demilitarized zones.

Antipersonnel land mines have become a global scourge. An estimated 100 million are strewn in 64 countries, and the number is rising. They lie hidden and lethal for years after the wars during which they are planted, claiming some 26,000 casualties annually, or one every 22 minutes. The vast majority are civilians. The devices also wreak economic havoc.

By adopting a one-year ban on the use of land mines designed to injure infantry troops, advocates say, the US would encourage its allies and others to do the same, giving an enormous boost to proposals for an eventual worldwide ban.

"Land mines are the Saturday Night Specials of conflict," says the legislation's sponsor, Sen. Patrick Leahy (D) of Vermont. "Land mines kill far more civilians than all the bombs being dropped and guns being fired."

Senator Leahy says the timing of his legislation is crucial. Forty-four nations will meet in Vienna on Sept. 23 to tighten the 1980 UN Convention on Conventional Weapons (CCW), which restricts the use of antipersonnel land mines. The administration could ensure the conference's success by adopting his plan, Leahy says.

"Everything I hear from other countries is that they want US leadership and this [Vienna] is the place to do it," he says.

President Clinton has taken a stand against land-mine proliferation. In 1993, he extended until 1996 a moratorium on US land-mine exports and last year declared his support for an eventual global ban. But for now Mr. Clinton is backing the Army in opposing Leahy's plan.

Officials assert that the plan would endanger the safety of US troops. They also argue that it would do little to curb proliferation and the manufacture of mines by other nations, including China, France, and Britain, since few states are prepared to abandon weapons that are easily purchased for as little as $3 a piece.

"Unilateral actions which needlessly place our forces at risk now will not induce good behavior from irresponsible combatants," Gen. John Shalikashvilli, chairman of the Joint Chiefs of Staff, said in a letter last week to Rep. Ronald Dellums of California, the ranking Democrat on the House National Security Committee.

The letter was sent as part of an intense Pentagon campaign to block Leahy's legislation from inclusion in the compromise version of the 1996 defense budget. The moratorium was overwhelmingly approved on Aug. 4 in the Senate's version but missing in the House bill.

The administration says there are better ways to fight the land-mine scourge. One is to curb global sales. Another is to require states to replace conventional land mines with devices that cause them to self-destruct or self-deactivate. Self-destruct mechanisms cause mines to explode within days or weeks of being planted.

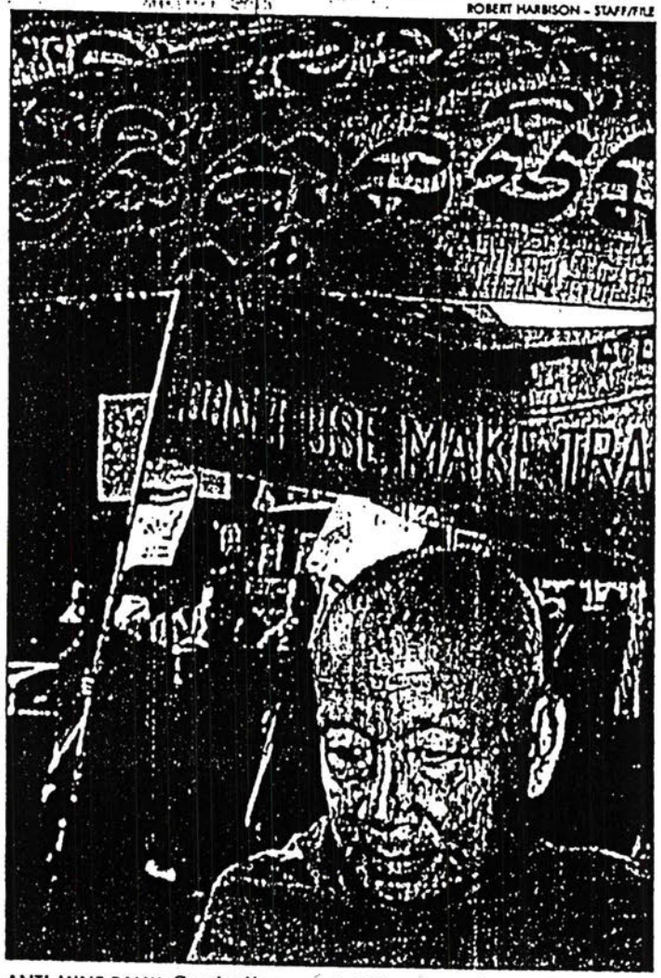
The US plans to propose in Vienna that the CCW be amended to require signatories to switch to mines that self-destruct within 30 days or self-deactivate within 120 days.

Officials say that such a measure would go far toward ending post-conflict civilian casualties and stands a better chance of acceptance than a moratorium. Leahy disagrees.

Many people were skeptical an international ban on chemical weapons could be concluded, he says, but 159 states signed one in 1993. Still, Leahy concedes that the Clinton administration will probably prevail.

"I think the administration is loosing a great opportunity to take ... an historic moral position and save far more lives than the billions of dollars we spend on humanitarian missions around the world," he says.

ROBERT HARRISON - STAFF/FILE



ANTI-MINE RALLY: *Cambodians protest the use and manufacture of land mines, which litter the war-torn country's landscape.*

THE PRESIDENT HAS SEEN
11-10-95

THE WHITE HOUSE
WASHINGTON 95 NOV 17 P6:30

November 1, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: **SUSAN BROPHY** SB

SUBJECT: **CONGRESSIONAL CORRESPONDENCE**

Attached are letters from the following Members of Congress that I ~~thought you might like~~ to see:

1) Sam Nunn (D-GA);

2) Barbara Kennelly (D-CT);

3) Christopher Dodd (D-CT); and

4) John Dingell (D-MI)

Doug/Sandy
We need to review
This a response - what's
yours?

BK

STROM THURMOND, SOUTH CAROLINA, CHAIRMAN
JOHN W. WARNER, VIRGINIA
WILLIAM S. COHEN, MAINE
JOHN McCAIN, ARIZONA
TRENT LOTT, MISSISSIPPI
DAN COATS, INDIANA
BOB SMITH, NEW HAMPSHIRE
DIRK KEMPTHORNE, IDAHO
KAY BAILEY HUTCHISON, TEXAS
JAMES M. INHOFE, OKLAHOMA
RICK SANTORUM, PENNSYLVANIA
SAM NUNN, GEORGIA
J. JAMES EXON, NEBRASKA
CARL LEVIN, MICHIGAN
EDWARD M. KENNEDY, MASSACHUSETTS
JEFF BINGAMAN, NEW MEXICO
JOHN GLENN, OHIO
ROBERT C. BYRD, WEST VIRGINIA
CHARLES S. ROBB, VIRGINIA
JOSEPH I. LIEBERMAN, CONNECTICUT
RICHARD H. BRYAN, NEVADA
RICHARD L. REYNARD, STAFF DIRECTOR
ARNOLD L. PUNARO, STAFF DIRECTOR FOR THE MINORITY

United States Senate
COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510–6050

October 26, 1995

President Bill Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

Following up our conversation at the Truman commemoration last evening, I am enclosing the text of a speech I made on NATO enlargement at a NATO meeting in Norfolk, Virginia last June.

Essentially, I believe our interests and those of our friends in East and West Europe would be best served by a two-track approach to NATO enlargement. Track one would be based on Eastern European admission to the European Union, with Western European Union and full NATO membership following shortly thereafter.

- This approach would recognize that there is no present threat to Europe from Russia. It would focus instead on Eastern Europe's economic needs.

- It would also not excite Russian paranoia and would not provoke a Russian military response, such as the redeployment of Russian tactical nuclear weapons.

Track two would be threat-based and would bring accelerated NATO membership for Eastern European countries as soon as Russia comes to pose a real threat to that region. We would in effect put Russia on notice that rapid NATO expansion will depend upon Russian behavior.

I hope you find the speech to be of interest.

Sincerely,

Sam

Sam Nunn

I enjoyed our conversation.

Sam

Senator Sam Nunn

THE FUTURE OF NATO IN AN UNCERTAIN WORLD

Speech to the SACLANT Seminar 95

June 22, 1995 - Norfolk, Virginia

I. *INTRODUCTION: THE IMPORTANCE OF NATO ENLARGEMENT*

Thank you, General Sheehan, for your kind introduction. Secretary General Claes, NATO Military Committee Chairman Field Marshal Vincent, distinguished NATO ambassadors, distinguished military commanders, distinguished guests, I am honored to be with you this morning to discuss the role of NATO in the post-Cold War period.

The pivotal issue of NATO expansion deserves thorough and careful consideration, because it has important ramifications:

-- for the future of NATO;

-- for the countries of central and eastern Europe;

-- for the future of Russia and the other countries of the former Soviet Union; and

-- for the future security order throughout Europe, east and west.

II. *NEW SECURITY SITUATION*

NATO was established primarily to protect the Western democracies from an expansionist Soviet Union that seemed determined to spread its influence through subversion, political intimidation and the threat of military force.

When NATO was formed in the late 1940s, Europe was faced with postwar devastation and the emergence of Soviet aggression and confrontation. Western consensus developed around two critical concepts that were decisive in winning the Cold War and in winning the peace:

-- First, Germany and Japan should not be isolated but should be

integrated into the community of democratic nations.

-- Second, the western democracies should pursue together a policy of containment, and unite in NATO to carry out this policy.

Integration and containment succeeded:

-- The Berlin Wall is down and Germany is united.

-- Eastern Europe and the Baltics are free at last.

-- The Soviet Empire has disintegrated and Russia is struggling to try to establish a market economy and some semblance of democracy.

For almost half a century, NATO's military strength was our defensive shield against aggression by the Soviet Union, but our offensive sword was our free societies, our innovative and energetic peoples, our free market systems and our free flow of ideas.

With the end of the Cold War, we have witnessed a heart-pounding, terrain-altering set of earthquakes centered in the former Soviet Union and in Eastern Europe. These seismic events have ended an international era.

The European security environment has changed. We have moved from a world of high risk, but also high stability because of the danger of escalation and balance of terror, to a world of much lower risk but much less stability. In a strange and even tragic sense, the world has been made safer for racial, ethnic, class and religious vengeance, savagery and civil war. Such tragedy has come to the people of Bosnia, Somalia, Haiti, Rwanda, Burundi, Liberia, Sudan, Tajikistan, Georgia, Azerbaijan, and many others.

The dust has not settled. Bosnia continues to erode NATO's credibility and confidence. Yet it is clear that the overall security and freedom of Europe has dramatically improved.

-- The Eastern European countries, the Baltic countries, and many of the countries of the former Soviet Union have become fully independent, are turning westward, and are anxious to become part of the European community and to join NATO as full members.

-- We are no longer preoccupied with the crucial Cold War issue of how much warning time NATO would have in advance of a massive conventional attack westward by the Warsaw Pact.

- During the Cold War, we worried about a Soviet invasion deep into Western Europe. As Michael Mandelbaum points out, the current debacle in Chechnya indicates that Russia today has serious trouble invading itself.

- Today, our military planners estimate that preparation for a Russian conventional military attack, even against Eastern Europe, would take several years at a minimum -- assuming the resources could be found to rebuild the undermanned, underfunded, poorly trained and poorly disciplined Russian military establishment.

-- Russia itself has gone from being the center of a menacing, totalitarian global empire to an economically-weak, psychologically-troubled country struggling to move toward democracy and a market-based economy.

-- A multilateral security system is forming across Europe that reduces nuclear and conventional armaments and makes a surprise attack by Russian conventional military forces toward the west increasingly unlikely.

- I have in mind the cumulative effect of such agreements as the INF Treaty, the CFE Treaty, the unilateral U.S. and Soviet decisions to reduce tactical nuclear weapons in Europe, the START I and pending START II Treaties, and the pending Chemical Weapons Convention and Open Skies Treaty.

- These mechanisms are far from perfect, several await ratification, and they require vigorous verification and full implementation. Yet even at this stage, they significantly enhance warning time that today is measured in years rather than in days or in months.

We are all aware of the dramatic change in the threat environment in Europe resulting from these changes.

-- The immediate danger is posed by violent terrorist groups; by isolated rogue states; by ethnic, religious, and other types of sub-national passion that can flare into vicious armed conflict. The lethality of any and all of these threats can be greatly magnified by the proliferation of nuclear, chemical and biological weapons, as well as by the spread of destabilizing conventional weapons.

- This audience is well aware that Russia currently possesses over 20,000 nuclear weapons, at least 40 thousand tons of chemical weapons, advanced biological warfare capabilities, hundreds of

tons of fissile material, huge stores of conventional weapons, plus thousands of scientists and technicians skilled in manufacturing weapons of mass destruction.

- This is the first time in history that an empire has disintegrated while possessing such enormous destructive capabilities. Even if these capabilities are greatly reduced, the know-how, the production capability, and the dangers of proliferation will endure for many years. This is the number one security threat for America, for NATO, and for the world.

- As we contemplate NATO enlargement, we must carefully measure its effect on this proliferation threat.

-- In the longer term, we cannot dismiss the possibility of a resurgent and threatening Russia.

Russia not only has inherited the still dangerous remnants of the Soviet war machine. In addition, even in its currently weakened condition, Russia possesses great potential in human and material resources. By virtue of its size and strategic location, Russia exerts considerable weight in Europe, Asia and the Middle East. Meanwhile, Russia has inherited the USSR's veto power in the UN Security Council and therefore has a major voice in multilateral decision making.

Russia will be a major factor, for better or for worse, across the entire spectrum of actual and potential threats.

-- Russia can fuel regional conflicts with high technology conventional weapons, along with political and other material support.

- Or Russia can cooperate with us in defusing such conflicts, particularly by preventing the spread of Russian weaponry to irresponsible hands.

-- Russia can itself emerge as a militarily aggressive power.

- Or Russia can assist us in averting new rivalry among major powers that poisons the international security environment.

-- Russia can pursue a confrontational course that undermines security and cooperation in Europe.

- Or it can work with us to broaden and strengthen the emerging system of multilateral security in Europe.

Out of all this background come five fundamental points:

-- First, preventing or curbing the proliferation of weapons of mass destruction is the most important and most difficult security challenge we face.

-- Second, Russia is a vast reservoir of weaponry, weapons material and weapons know-how. Thousands of people in Russia and throughout the former Soviet Union have the knowledge, the access, and strong economic incentives to engage in weapons traffic.

-- Third, increased Russian isolation, paranoia or instability would make this security challenge more difficult and more dangerous.

-- Fourth, although the West cannot control events in Russia, and probably can assist political and economic reform there only on the margins, as the medical doctors say, our first principle should be **DO NO HARM.**

-- Fifth, we must avoid being so preoccupied with NATO enlargement that we ignore the consequences it may have for even more important security priorities.

III. *PROBLEMS WITH THE CURRENT APPROACH TO NATO ENLARGEMENT*

It is against this background that I offer a few observations on the current approach to NATO enlargement.

NATO's announced position is that the question of enlargement is not whether, but when and how. Somehow I have missed any logical explanation of **WHY**. I cannot speak of public opinion in other countries, but in America when the enlargement debate focuses on issues of NATO nuclear policy, NATO troop deployments, and formal NATO military commitments -- played against the background of repercussions in Russia -- somebody had better be able to explain to the American people **WHY**, or at least **WHY NOW**.

NATO was founded on a fundamental truth: the vital interests of the countries of NATO were put at risk by the military power and political intimidation of the Soviet Union. As President Harry Truman said in his memoirs: "The [NATO] pact was a shield against aggression and against the

fear of aggression...." Because NATO was built on this fundamental truth, and because we discussed it openly and faced it truthfully with our people, the alliance endured and prevailed.

Today, we seem to be saying different things to different people on the subject of NATO enlargement.

-- To the Partnership for Peace countries, we are saying that you are all theoretically eligible and if you meet NATO's entrance criteria (as yet not fully spelled out), you will move to the top of the list.

-- To the Russians, we are also saying that NATO enlargement is not threat-based and not aimed at you. In fact, you too can eventually become a member of NATO. This raises serious questions.

-- Are we really going to be able to convince the East Europeans that we are protecting them from their historical threats, while we convince the Russians that NATO's enlargement has nothing to do with Russia as a potential military threat?

-- Are we really going to be able to convince Ukraine and the Baltic countries that they are somehow more secure when NATO expands eastward but draws protective lines short of their borders and places them in what the Russians are bound to perceive as the "buffer zone?"

In short, are we trying to bridge the unbridgeable, to explain the unexplainable? Are we deluding others or are we deluding ourselves?

The advantages of NATO's current course toward enlargement cannot be ignored. If NATO expands in the near term to take in the Visegrad countries, these countries would gain in self-confidence and stability. It is possible that border disputes and major ethnic conflicts presumably would be settled before entry -- for instance, the dispute involving the Hungarian minority in Romania.

However, the serious disadvantages must be thought through carefully.

For example, my conversations with Russian government officials, members of the Russian parliament across the political spectrum, and non-official Russian foreign policy specialists convince me that rapid NATO enlargement will be widely misunderstood in Russia and will have a serious negative impact on political and economic reform in that country. There are several reasons for this:

-- At the moment, Russian nationalism is on the rise and reformers are on

the defensive. The Russian military establishment and the still huge military-industrial complex that undergirds it are dispirited and resentful.

-- The average Russian voter has trouble making ends meet, is unsure what the future may hold, but is well aware that Russia has gone from being the seat of a global empire and the headquarters of a military superpower to a vastly weakened international status.

-- Russian nationalists feed this sense of loss and uncertainty by proclaiming that rapid NATO enlargement is intended to take advantage of a weakened Russia and will pose a grave security threat to the Russian people. Russian demagogues argue that Russia must establish a new global empire to counter an expansionist west. They smile with glee every time NATO expansion is mentioned.

-- Russian democrats do not see an immediate military threat from an enlarged NATO but fear the reaction of the Russian people. The democrats worry that alarmist messages, however distorted, will set back democracy by increasing popular tolerance for authoritarianism and renewed military spending within Russia, and by isolating Russia from western democracies.

In short, if NATO enlargement stays on its current course, reaction in Russia is likely to be a sense of isolation by those committed to democracy and economic reform, with varying degrees of paranoia, nationalism and demagoguery emerging from across the current political spectrum.

In the next few years, Russia will have neither the resources nor the wherewithal to respond with a conventional military build-up. If, however, the more nationalist and extreme political forces gain the upper hand, by election or otherwise, we are likely to see other responses that are more achievable and more dangerous to European stability. For example:

-- While Russia would take years to mount a sustained military threat to eastern Europe, it can within weeks or months exert severe external and internal pressure on its immediate neighbors to the west -- including the Baltic countries and Ukraine. This could set in motion a dangerous action-reaction cycle.

-- Moreover, because a conventional military response from Russia in answer to NATO enlargement is infeasible, a nuclear response, in the form of a higher alert status for Russia's remaining strategic nuclear weapons and conceivably renewed deployment of tactical nuclear weapons, is more likely. The security of NATO, Russia's neighbors, and

the countries of eastern Europe will not be enhanced if the Russian military finger moves closer to the nuclear trigger.

By forcing the pace of NATO enlargement at a volatile and unpredictable moment in Russia's history, we could place ourselves in the worst of all security environments: rapidly declining defense budgets, broader responsibilities, and heightened instability. We will also find ourselves with increasingly difficult relations with the most important country in the world in terms of potential for proliferation of weapons of mass destruction.

This is the stuff that self-fulfilling prophecies, and historic tragedies, are made of.

IV. *SPECIFIC RECOMMENDATIONS FOR ALLIANCE POLICY*

Where do we go from here? I recognize that it is much easier to criticize than to construct, but I do have a few suggestions.

I suggest a two-track approach to NATO enlargement.

-- The first track would be evolutionary and would depend on political and economic developments within the European countries who aspire to full NATO membership. When a country becomes eligible for European Union membership, it will also be eligible to join the Western European Union and then be prepared for NATO membership, subject of course to NATO approval.

- This is a natural process connecting economic and security interests.

- We can honestly say to Russia that this process is not aimed at you.

-- The second track would be threat-based. An accelerated, and if necessary immediate, expansion of NATO would depend on Russian behavior. We should be candid with the Russian leadership, and above all honest with the Russian people, by telling them frankly:

- If you respect the sovereignty of your neighbors, carry out your solemn arms control commitments and other international obligations, and if you continue on the path toward democracy and economic reform, your neighbors will not view you as a threat, and neither will NATO.

- We will watch, however, and react:

(1) to aggressive moves against other sovereign states;

(2) to militarily significant violations of your arms control and other legally binding obligations pertinent to the security of Europe;

(3) to the emergence of a non-democratic Russian government that impedes fair elections, suppresses domestic freedoms, or institutes a foreign policy incompatible with the existing European security system.

-These developments would be threatening to the security of Europe and would require a significant NATO response, including expansion eastward. We would be enlarging NATO based on a real threat. We would not, however, be helping to create the very threat we are trying to guard against.

Finally, Partnership for Peace is a sound framework for this two-track approach. Its role would be to prepare candidate countries and NATO itself for enlargement on either track. Programs of joint training and exercises, development of a common operational doctrine, and establishment of inter-operable weaponry, technology and communications would continue, based on more realistic contingencies. Tough issues such as nuclear policy and forward stationing of NATO troops would be discussed in a threat-based framework, one which we hope would remain theoretical.

As the Russian leaders and people make their important choices, they should know that Russian behavior will be a key and relevant factor for NATO's future. This straightforward approach is also important for our citizens, who will have to pay the bills and make the sacrifices required by expanded NATO security commitments.

The profound historical contrast between post-World War I Germany and post-World War II Germany should tell us that neo-containment of Russia is not the answer at this critical historical juncture. If future developments require the containment of Russia, it should be real containment, based on real threats.

###

Not critical to look AT today

Don Baer

I've known him 27 years — you might ask him for a sample speech — we can look at — I could maybe get him started on it if it's good at this [illegible]

THE PRESIDENT HAS SEEN
11-10-95

As Requested

Mike
Post

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

October 29th 1995

Dear Boss:

Returning last week from a speaking engagement in Boston (evidence attached), I had what I think is an inspiring notion. Given recent events, it's particularly timely now. I've talked also with Willy Fletcher and Pogue. For what it's worth, they agree. Hence, this brief note.

Hillary may have mentioned our own recent correspondence, and my earnest determination to put the **full** range of my energies and mileage to better service. I suggested two notions:

- **Senior advisor** to Gearan, specifically to help design and implement the new **Peace Corps program in SOUTH AFRICA.** I would bring nearly 20 years of personal contact and knowledge to this important part of Mark's new responsibilities. (Especially my significant relationships with black South African political and community leaders; and progressive elements of the Afrikaner community.) Earlier this year, I sent you a chunk of the report I wrote about my two month assignment in South Africa last autumn --- invited there by a variety of South African education and private sector groups.

- **Presidential speechwriting,** specifically as a senior writer for you.

Either role would take better advantage of my usefulness, but it's **this** second proposal which I would like you to **personally consider.**

You already have a handful of good writers; but let me just say this bluntly: **What you need now is somebody who can voice the power of America's history and its daily life. You need both the prose and the poetry of a new and rising American identity.** Not polls, not operators: but clarity and passion about what Americans confront in their daily lives. **That's where I can help uniquely, Bill.** You know my gifts and their devotion to your leadership. And let this be said: I'm not calling here on old or (recently, to my regret) remote friendship. I'm talking practicalities, I'm talking genuine effectiveness. My ability to rally support for you has not yet been really tapped. And that's the kind of energy and insight that are needed these next weeks and months. So, please call me. (Like you, I'm writing or talking with folks until 2 or 3 a.m.) I want to work even harder for you.

Saul

OFFICE: 708 5938
HOME: 347 4324

SAUL H. BENJAMIN

Senior Advisor & Special Assistant for Policy, Office of the Secretary, US Department of Education.

CITIZENSHIP AND ITS DISCONTENTS

1994 recipient of the "Reinventing Government Award".
Received numerous awards for distinguished scholarship and literary achievement, including *The Gibbs Prize* in Politics from Oxford.
Twice designated a prizewinner by The Poetry Society of Great Britain.
Danforth Doctoral Fellow in Theology at Oxford .
Visiting Scholar at Yale Law School.
Deputy National Political Director, Clinton for President Committee from 1991 - 1992.

OCTOBER 12, 1995, 4:00 P.M.

MARTIN INSTITUTE AUDITORIUM

SAER

Draft 11/10/95 noon

THE PRESIDENT HAS SEEN
11-11-95

PRESIDENT WILLIAM J. CLINTON

STATEMENT ON THE BUDGET

THE WHITE HOUSE

November 10, 1995

THE PRESIDENT HAS SEEN
11-11-95

The budget debate we are now engaged in is a serious and critical moment for our country. This debate is about whether we will balance the budget in a way that reflects our fundamental values: our responsibility to our parents and our children, ~~and~~ our determination to provide opportunity for all Americans to make the most of their own lives; ~~The approaches being offered to the American people fundamentally differ, and they need to be seriously debated~~.

But we cannot have a serious debate under the threat of government default and shutdown. And we cannot ~~get~~ cut Medicare, education or the environment as a condition of keeping the government open.

The bills Congress voted on last night are not ordinary measures, designed simply to keep the government running while we resolve our differences. Last night, Republicans in Congress voted to raise Medicare premiums. Last night, Republicans in Congress voted to deeply cut education. And last night, they voted to overturn three decades of environmental safeguards.

Beyond that, these measures would make a government default almost inevitable, for the first time in our history, by ~~making it impossible for~~ taking away from the Treasury Secretary ~~to prudently manage the government~~'s ~~money~~. This is deeply irresponsible.

Republicans in Congress have a responsibility to keep the government running without cutting Medicare and increasing premiums. ~~They should keep the government running~~ without cutting education and undercutting the environment. I want to work with Congress to resolve these differences, and to keep the government running in the interest of the American people. We have shown we can work together on this. ~~I favor a balanced budget, and so do the~~y. In September, we agreed on an appropriate measure to keep the government running while we finish the job of balancing the budget. ~~I want us to work together again.~~ ~~But if Congress sends me any legislation that guts Medicare, education and the environment, I will veto~~ it.

Re

DOD
letter
Jan Counsel

HITE HOUSE
SHINGTON

November 2, 1995

Mr. Gordon Matteson
Drawer F
Laynesport Road
Foreman, Arkansas 71836

Dear Gordon:

Thanks so much for writing. I appreciate your letting me know how you feel about recent action by the Arkansas State Consolidated Farm Services Agency. Because your concern relates to a pending appeal, I have forwarded it to the attention of my White House Counsel, Jack Quinn.

It was good to see you at the Arkansas event, and I hope you'll keep in touch.

Sincerely,

Bill

We're working on the farm bill—I'm seeing Sec. Espy about it soon.

Jack

He's a friend and a good man—pls have his concern out— BR

Carl Jr
Patterson

THE PRESIDENT HAS SEEN
11-10-95

Mr. President,

I will only address the farm program that I feel comfortable with.

Peanuts - we must keep a program that is profitable to the producer. I suggest keep the loan price at the current level and reducing the quota pounds by 10 to 20%, doing away with undermarketings, & allowing across the state transfers of quota.

I am afraid that the Freedom to Farm Bill will appear to the public as a welfare program

I ~~do suggest~~ will send to you later in the week a more complete answer to your question.

Thank you for your concern & keep up the good work,

Gordon C. Mathews

P.S. Have enclosed a packet on disaster problems in Arkansas

G.C.M

Gordon C. Mathews

GORDON C. MATTESON
P. O. BOX F
FOREMAN, AR 71836

September 25, 1995

President Bill Cinnton
The White House
Washington, D.C. 20500-2000

Mr. President,

I am extremely disappointed in the recent action taken by the Arkansas State Consolidated Farm Services Agency in their denial of our disaster application appeal.

As means to keep you informed of our problem, I am sending copies of the cover letter to the National Appeals Division and letters of appeal denial. I am also enclosing copies of information from the University of Arkansas Cooperative Extension Service, Texas A&M Agricultural Extension Service, Oklahoma State Cooperative Extension Service, the weather and crop conditions reports taken from the Bowie County Consolidated Farm Services Agency, a statement supplied by Worth Matteson III on pecans and conditions, and a letter from the Little River County Consolidated Farm Services Agency disagreing with the District Director's disapproval of the applications. These last mentioned letters were presented to the State Committee at the appeal but were not considered because "Contentions about the weather were not supported by acceptable evidence."

I feel the evidence we supplied supported the disaster and was quite acceptable. One letter from Joe Paul Stuart, University of Arkansas Extension Agent in Little River Co., verifies the lack of rainfall along Red River at a Soybean Field Verification Plot. The location of this plot in the crop production area south of Foreman supports the disaster and also shows what most true farmers know "it can rain buckets one place and only drops in another down the road." In respect to the pecan loss, I have enclosed an unsolicited newsletter from the Miller Co. Extension Service explaining what happened in 1994 and also letters from the Extension Services in Oklahoma and Texas to our contiguous Consolidated Farm Services County Offices supporting their farmer applications.

I am very concerned by the action taken in Little Rock by the State Committee, the State Director, and the State Staff. It appears that the official agenda was to search all avenues available to make a simple program impossible for the local offices and farmers to participate. I do not believe it was Congress' intent for the state staff and director to delay benefits to the farmer as the Arkansas Office has done.

It is evident that they have decided to blanket deny the disaster program, but realize that the applications are proper and payments due because in a telephone conversation September 8, 1995, the State Director Wayne Perryman stated " I think the majority of the denials by the State Committee will be overturned by the National Appeal Division." If Mr. Perryman felt this way, why didn't the State Committee act accordingly and approve the disaster applications as did the Little River County Committee?

I, along with over 35 other Little River County farmers, have already wasted four to five months dealing the State Office and Committee and ask that you help in speeding our appeal process along. I also ask that you review the evidence presented to the State Committee, which they have refused to consider, and visit with Mr. Perryman as to why he considers it to be unacceptable or fraudulent.

It is beyond my comprehension why the Arkansas State Office denied payments to their producers and our adjoining states of Oklahoma and Texas have made disaster payments. It is hard to believe that two out of three state offices are wrong and the Arkansas office is correct in their contention that we did not have any adverse environmental conditions.

Thanking you in advance for your help and looking forward to some answers.

Sincerely,

Gordon C. Matteson

GORDON C. MATTESON
P.O. BOX F
FOREMAN, AR 71836

October 12, 1995

President Bill Clinton
The White House
Washington, D.C. 20500-2000

Dear Mr. President:

I do sincerely appreciate your taking the time to visit with me about the Arkansas farm disaster payments for 1994 during the White House party for Arkansans. I have enclosed copies of letters that I wrote under the Freedom of Information Act requesting information regarding the 1994 disaster payments as they apply to Arkansas. I have forwarded these to you as a means to keep you informed on the matter.

Once again, I do thank you from the bottom of my heart for your willingness to listen in this matter which is so critical to our survival.

Sincerely yours,

Gordon C. Matteson

THE PRESIDENT HAS SEEN

11-10-95

November 8, 1995

Memorandum

To: **THE PRESIDENT**

From: **Nancy Hernreich**
Jenny Ritter

Re: **Edwin Yoder Column**

Edwin Yoder's November 8 column discusses the murder of Yitzhak Rabin in the context of other religious murders. Yoder writes, ''when Mohandas Gandhi, the architect of Indian independence, was shot, his assassin was told, ' You are too late'." Yoder believes that Rabin's assassin was also too late. "If peace comes to the West Bank, it will have redeemed in a measure the loss of significant life. '

cc: HOLC
D Boer
T Kinkead
Barry Toiv

The Washington Post Writers Group
1150 15th STREET, N. W., WASHINGTON, D. C. 20071-9200
TEL: (202) 334-6375 (800) 879-9794

YODER
r k

^bc-yoder-column advIMMEDIATE<
^EDWIN YODER COLUMN<
^(FOR IMMEDIATE RELEASE--Normally advance for Wednesday, November 8, 1995)<
^(For Yoder Clients Only)<
^By EDWIN M. YODER, JR.=

WASHINGTON--By a haunting coincidence, the news of Yitzhak Rabin's assassination reached our house early Saturday evening as we were preparing to watch ''Queen Margot,'' a French film whose dramatic focus is a dark day of European communal conflict--the 16th century St. Bartholomew's massacre of French Huguenots by a Catholic mob.

The coincidence reminded us that murder for God is a hideous constant in human history, though never less shocking for its long familiarity.

The Israeli prime minister's accused assassin, Yigal Amir, is described as a fanatical young Israeli foe of the peace with the Palestinians which has been gradually coming to fruition. That it has reached this point is due to Rabin's vast personal prestige, built upon his record as the youngest general in his country's 1948 war of independence and as the commander of Israel's armed forces in the Six Day War which, 20 years later, ended Arab aspirations to extinguish Israel by military force.

The support of this stern, gruff and blunt-spoken soldier for the return of the West Bank to Palestinian control has given a credibility to the peace policy that none since David Ben Gurion himself could have given. Or can give now. Rabin's murder clouds the prospects, which were chancy enough when he was alive. It demands the strength of ten to be a peacemaker in the Middle East.

In the long run, however, the logic of history favors the course Rabin had endorsed. With peace made with Egypt and Jordan, and now in prospect with Syria, the era of mortal military threat has ended. The strategic risks of peacemaking with the Palestinians are diminished

(more)

accordingly. And as Rabin and his allies never tired of arguing, the alternative is a ''Greater Israel'' on biblical lines, embracing an Arab majority with a demographic time bomb built in.

Sooner or later an Israel thus constructed would have to choose between the dilution of her character as a Jewish state and the imposition of a dual standard of citizenship--a Middle East experiment in apartheid alien to Jewish ethical traditions. Or, at still greater risk, Israel could persist in a neocolonial attempt to hammer a seething West Bank Arab population into submission--a policy with its own potential for corrupting a democratic state that must undertake it year in and year out.

It is hardly strange that these quite sane considerations had in recent years converted Rabin from a warrior for independence into an equally fervent warrior for peace. Yet the reward he got for it, in the rabid circles typified by the gunman, was the vilest personal abuse a Jewish statesman could suffer: caricature as a Nazi storm-trooper. Nonetheless, Rabin was soldiering on in his stolid fashion. His moving plea against bloodshed, his simple cry of ''Enough blood and tears!'' at the White House signing of the Oslo accords two years ago, punctuated that occasion as fancier words never could have done.

In the eyes of the hot-eyed men who hear voices, whether a frenzied Catholic mob in 16th century Paris or among the devotees of ''Eretz Israel'' today, sanity is treachery. After all, they can invoke a title-deed (or in this case a death warrant) from no less a hand than that of the Almighty himself. But their protest is the protest of eleventh-hour desperation.

It is said that when Mohandas Gandhi, the architect of Indian independence, was shot, his assassin was told: ''You are too late.'' There is reason to believe that Yigal Amir was too late also; for at this stage of Israel's long-beleaguered national life, she is strong enough to accommodate the long-deferred claims of her Palestinian neighbors and knows that it is time to do so. One rarely if ever hears

today of Catholics so rabid as to suppose they do the divine will by murdering Protestants (or vice versa), and perhaps with luck we will live to hear the last of a claim that God has called for the murder of a peacemaker in the name of some heavenly real estate deal.

This cannot be a certainty; for history offers only probabilities. But if peace comes to the West Bank, it will have redeemed in a measure the loss of a significant life. Yitzhak Rabin's good work, early and late, will outlive the cowardly deed that ended it too soon --and yet, in quite another sense, too late.

(c) 1995, Washington Post Writers Group

THE PRESIDENT

11-10-95

Dear Ed —

I really appreciated your column on Rabin and negotiating — I hope you're right that it can't too late — It was a very good meeting —

Bill

AMBASSADOR'S OFFICE
THE PRESIDENT HAS SEEN
11-10-95

Nancy-Ann

TELEFAX MESSAGE

FROM USA: 011-43-1-31-77-826
FROM EUROPE: 43-1-31-77-826

DATE: November 8, 1995

FROM: Ambassador Swanee Hunt

PLEASE FORWARD TO: Betty Currie, Executive Secretary to the President

FAX NO: 456-6703

TOTAL NUMBER OF PAGES (INCLUDING COVER SHEET): 2

COMMENTS:

Betty, please pass at your earliest convenience today to the President. Many thanks to you.

Betty
Sure I do - please tell
him at least I not
a big deal since I'm
coming Saturday anyway

Embassy of the United States of America
Boltzmanngasse 16
A-1091 Vienna, Austria
Telephone: 313 39

(If fax is not received in its entirety, please call the number at left. Thanks.)

Office of
The Ambassador

The NSC has told the Austrian Ambassador that your schedule would allow a visit this trip. I will call Swanee & tell him again Erskine & NSC both agree you should not do.

The President
The White House
Washington, D.C. 20500

VIA FAX: 202-456-6703

Dear Mr. President,

As I wrote you earlier, I will be in Washington with Franz Vranitzky this weekend for his receiving of the Fulbright Prize for International Understanding. I'm told that in Jerusalem, you suggested he come by when he was next in Washington. May we do that Saturday afternoon, around 3:30, on a completely informal basis? In addition to furthering a friendship he values highly, it would be helpful to his optics back here, as he faces a serious challenge from the far right in the December 17th election.

Hope to see you then.

Swanee

Swance

Melanne & Phil were just here for a week — and met Vranitzky. They were impressed — as you have been.

Love to Hillary too!

THE PRESIDENT HAS SEEN

11-10-95

I want to talk to Leon about this

THE WHITE HOUSE

WASHINGTON

November 8, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Securities litigation reform

Attached is a Lindsey/Tyson options memo on securities litigation reform. Senators Dodd and D'Amato may move a conference report forward very soon.

Substance. We originally sought changes in four areas, the safe harbor issue being most important. Sen. Dodd produced changes in the safe harbor for forward-looking statements, though not all we wanted. The SEC, believing the current safe harbor might be read to immunize knowingly false statements, continues to seek changes. On the three other issues -- a private action for aiding and abetting following a successful SEC suit, proportionate liability, and extending the statute of limitations -- no improvements were made.

Outside Supporters/Opponents. Business and especially high-tech strongly support the bill; for Silicon Valley it may well be a defining issue of Presidential support. Securities trial lawyers, various regulators, government finance officers, and consumers and seniors groups oppose the bill. And editorial opposition -- led by *Money* magazine -- has grown. But the proponents probably care more than the opponents, who have other, bigger fish to fry (Medicare, Medicaid, pensions, reg reform, OSHA, etc.). Securing improvements in the safe harbor language and aiding and abetting would help, but opponents would still oppose.

Congress. Judge Mikva and Bruce met with Sen. Dodd last week to seek further changes, but Dodd believes he already did most of what we asked and that we are now moving the goal posts on him. Twenty-one Senate Dems -- including Bradley, Harkin and Kennedy -- support the bill. Twenty House Dems support it; Dingell and Markey oppose.

Options. Two are presented: (1) declare your support for the bill now so you can get credit for firm action; or (2) publicly demand further changes on safe harbor, aiding and abetting, and statute of limitations, threatening a veto absent changes -- *which are unlikely to be made.* NEC, CEA, OMB, Treasury and Commerce favor option (1), arguing that the safe harbor and proportionate liability provisions are acceptable and that high-tech support for you is at stake. Paul Carey (Pat is recused) adds that Sen. Dodd would be deeply offended by a veto. Bruce and Counsel's office, viewing Silicon Valley's claims as hyperbolic, favor option (2) to avoid supporting a bill that will be branded as unbalanced and anti-investor.

Leon plans to discuss this with you and raise the possibility of his calling Dodd to try one last time to fix the aiding and abetting issue and to nail down Dodd's agreement to put language on safe harbor in the legislative history to prevent what the SEC fears: that a company might avoid liability despite making a knowingly false statement.

THE PRESIDENT HAS SEEN
11-10-95
95 NOV 7 A9:25

THE WHITE HOUSE

WASHINGTON

November 6, 1995

MEMORANDUM TO **THE PRESIDENT**

FROM: **LAURA D'ANDREA TYSON** Lt/PO.
BRUCE LINDSEY Bruce

SUBJECT: **Securities litigation reform legislation**

Senators Dodd and D'Amato may move forward very soon with a conference report that, while vastly more like the Senate bill than the totally unacceptable House bill, does not address all of our publicly stated concerns. Discussions held last Monday between Judge Mikva, Bruce Lindsey and Senator Dodd, in which we requested modest additions, in the form of a private aiding and abetting action following an SEC action and an additional year on the statute of limitations, were fruitless: Senator Dodd refused to pursue the statute of limitations change, saying it was a deal breaker, and he was unable to get any support for the private aiding and abetting provision.

Senator Dodd also said we had "moved the goal posts." He believes he had an understanding that you would support the bill if the safe-harbor provision were amended to our satisfaction. (You will recall that Senator Dodd voted against our safe-harbor amendment, which was tabled 50-48, denying us the change we had sought and arguably nullifying our offer.) Nevertheless, Judge Mikva and Bruce readily admitted that there was some truth to his statement. They noted that since Senate passage of the bill, editorial opposition to the bill has grown substantially, citing specifically the Jane Bryant Quinn article in Newsweek (attached) and the Money magazine editorials (attached).

We believe the time has come when you must decide whether to sign the bill as it now stands (or with very minor changes) or to publicly demand further changes as the price for your support for the bill. A decision now -- whether it is to sign or to veto unless significant improvements are made -- would (i) maximize the admittedly risky chance of getting additional improvements; (ii) enable the Administration to take credit for firm action with those who support your ultimate decision; and (iii) increase our ability to explain our action in a manner that might mitigate some of the negative impact from those opposed to your ultimate decision.

Outstanding issues

1. Safe harbor - The bill contains a safe harbor for forward-looking statements (such as earnings projections and product plans) made by registered corporations and their representatives, where such statements are "accompanied by meaningful cautionary statements identifying substantive factors that could cause actual results to differ materially from those projected in the forward-looking statement." The safe harbor does not cover statements about the past or currently knowable facts, nor does it cover statements made by or in connection with limited partnerships, initial public offerings, penny stocks, roll-ups, tender offers or investment companies.

The draft safe-harbor provision reflects a framework we suggested: codifying the "bespeaks caution" doctrine. Under the bespeaks caution doctrine, judges have determined whether the inclusion of sufficient cautionary language accompanying a forward-looking statement rendered immaterial as a matter of law (and thus nonactionable) any misrepresentations or omissions in the statement. Properly applied, the bespeaks caution approach encourages a judge to consider the forward-looking statement in context to determine whether a reasonable investor had been sufficiently advised as to the nature and types of risks inherent in the projection.

The draft safe-harbor does not reflect the language we suggested, however. The SEC recommended that the cautionary language be "specifically tailored" or that it must identify "the principal" substantive factors underlying the statement. These formulations were rejected because Silicon Valley strongly opposed them. Thus far, the SEC has refused to support the draft. Chairman Levitt has said publicly he has "profound reservations"; privately, he has told Senator Dodd he cannot support the safe-harbor as drafted. The SEC is concerned the draft language could immunize knowingly false statements without requiring sufficiently offsetting cautionary statements, and is trying to get four specific changes made. If these changes are made, the SEC will be "mildly supportive" of the bill, notwithstanding their preference that other changes (such as in the statute of limitations and aiding and abetting) also be made.

With appropriately strong legislative history, Judge Mikva and certain academics we have consulted believe the current draft language might be acceptable. The legislative history would need to encourage judges to construe the bespeaks caution approach narrowly (and certain key words in the bill like "meaningful" broadly). But Silicon Valley would strongly oppose this type of legislative history (just like they refused to accept our suggested statutory language). And the SEC is appropriately concerned about our ability to obtain strong legislative history from the conferees.

This provision is of utmost importance to corporations, and in particular to high-tech corporations. On November 3, the CEOs of 27 of the largest Silicon Valley firms delivered a letter to the President (attached) "to state unequivocally that securities litigation reform legislation is of critical importance and interest to our companies," noting their belief that "as a result of discussions with your staff we have acted in good faith and have moderated our position to meet your concerns." In the opinion of your economic advisers, the provision as written should increase the availability of useful information provided to investors by responsible corporations, together with appropriate cautionary statements about uncertainty that will make it easier to evaluate such information.

2. Aiding and abetting - Prior to the Supreme Court's 1994 decision in Central Bank, the courts of appeals had held that a cause of action for aiding and abetting is available under § 10(b) of the Securities Exchange Act of 1934. The Court in Central Bank found that the statutory text of § 10(b) does not reach those who aid and abet a violation. Recently, at least one district court has held that Central Bank applies to the SEC as well.

The draft conference report reaffirms only the SEC's cause of action against knowing aiding and abetting, which proponents argue would provide sufficient deterrence. As noted by the Central Bank Court, the absence of § 10(b) aiding and abetting liability does not mean that secondary

actors are always free from liability: lawyers, accountants, or banks who employ a manipulative device or make a material misstatement (or omission) on which a purchaser or seller of securities relies may be liable as primary violators of § 10(b). On the other hand, even Senator Dodd has acknowledged publicly that restoring private aiding-and-abetting liability -- with some appropriate scienter requirement -- might be appropriate. Otherwise, certain secondary actors who had actual knowledge of and substantially assisted a primary violation might go scot free -- such as the lawyers (and other secondary actors who never made public statements) in the Keating case.

Our June 23rd statement of position proposed reaffirming the SEC cause of action against knowing and reckless aiders and abetters, as well as allowing private actions in cases subsequent to successful SEC actions. By predicating the action on a successful SEC action, our solution would avoid the criticism that such suits are often frivolous or ill-considered and would ensure the availability of private actions in egregious (SEC-targeted) cases. Senator Dodd maintains this change is impossible to obtain. You should realize that a veto would not restore the private right of action -- and would jeopardize the availability of the SEC's cause of action -- against aiders and abettors.

3. Proportionate liability - The bill limits joint and several liability to those who "knowingly" participated in the fraud, and only would increase a reckless defendant's liability by 50% when other defendants have fled or gone bankrupt. This may be the provision that most changes the actual results in terms of real recoveries for truly defrauded plaintiffs. Unlike the safe harbor, it covers all private rights of action and all types of defendants. Although most cases do not proceed to trial, the change will alter the balance of power in pre-trial negotiations. In addition, your economic advisers note that there is good reason to believe that strict joint and several liability limits the willingness of high quality accountants, lawyers and others to represent entrepreneurial companies except at a price that reflects a substantial premium for potential -- and in their view inappropriate -- liability should the firm fail. Senator Dodd has made it absolutely clear that he will not compromise further on proportionate liability which, in any event, is arguably more pro-plaintiff than the proportionate liability standard in the products liability bill.

4. Statute of limitations - As with aiding and abetting, this problem is caused by a Supreme Court case, which shortened the statute of limitations on securities fraud suits to one year from the date of discovery and three years from the commission of the fraud, whichever comes sooner. Senator Dodd's original bill included a two-year/five-year extension, but was dropped in the Banking Committee (Senators Moseley-Braun and Murray voting to do so). In our recent meeting, we asked Senator Dodd about extending only the outside three-year limit to four years, leaving alone the one-year limit from the date of discovery. Senator Dodd maintains that an extension to four years is impossible to obtain.

Supporters and Opponents

The high-tech and general business communities care very much about this bill. The high-tech community is convinced that without the relief from "strike suits" provided in this bill, they will continue to be inundated by unjustified law suits that sap their financial and managerial time and money. According to a 1993 survey, over the prior six years, more than half of the 150 largest firms in Silicon Valley had been subject to securities-related litigation, many on more than one

occasion. The community views support of the bill as the defining issue of Presidential support for them.

On the other side, the trial lawyers, state securities regulators, and organizations -- such as the Government Finance Officers Association and the National League of Cities, who are concerned about the role of governments as investors -- are vigorously opposed to the bill. They strongly believe the bill's provisions would adversely affect meritorious cases. Consumer and seniors' groups, as well as the Teamsters Union, have also expressed opposition. Particularly for groups other than the trial lawyers, however, the provisions opponents care most about are those we seem to have little ability to change: statute of limitations, private aiding and abetting, proportionate liability, sanctions for frivolous complaints. Improvements to the safe harbor almost certainly will not alter these groups' opposition to the bill.

Your economic advisers note that the impact of this bill may well be overstated by both proponents and opponents. State securities law causes of action remain available in almost all situations covered by the bill, and clever lawyers can get around most of the procedural and pleading rule changes. Mainly this bill has become symbolic, and your economic advisers believe of far greater symbolic importance to the proponents -- particularly in the high-tech community -- than to many of the opponents, such as consumer, labor and senior citizens groups, who care far more about the budget, Medicare and Medicaid, nursing home standards, saving OSHA, preventing pension reversions, products liability, and regulatory reform. Thus, coupling support for this bill with a firm statement that you will veto the products liability bill unless it includes a proportionate liability standard at least as good as the standard of this bill, might take some of the edge off the opposition from quarters other than the trial lawyers.

As noted above, the SEC is working to get changes to the safe harbor in the conference bill. If those changes are made, the Commission will "mildly support" the bill, even if other changes are not made. If the safe harbor changes are not made, the Commission will not support the bill. However, Commissioner Wallman has indicated that, even without the safe harbor changes, he believes investors would not be materially harmed should the bill become law. Since the bill would likely increase pressure on the SEC to bring more enforcement actions, you could couple support for the bill with support for a fee-generated increase in the SEC's budget, which, even though difficult to obtain, might reduce the Commission's -- and the public's -- anxiety.

Other advisers are far more concerned about whether the bill's proposed changes to the major anti-fraud provisions of the federal securities laws are justified by the evidence. Though anecdotal evidence from Silicon Valley is rampant, they believe the empirical evidence has never substantiated all of the proponents' claims. Doubtless, the conference draft is much improved compared to the House-passed version. On the other hand, Chairman Levitt still believes the safe-harbor provision would be problematic without further changes; three of the Administration's four recommended changes to the Senate bill remain unaddressed; and the entire thrust of the bill is to raise hurdles faced by plaintiffs, whether in meritorious or frivolous cases. While an argument can be made that the bill is "acceptable" -- and though the White House perhaps could persuade the SEC to follow our lead -- many editorials and prominent critics will continue to characterize the bill as "unbalanced" and "anti-investor." Its ultimate effect on a defrauded party's ability to sue won't be known for years, but could be significant.

In Congress, 21 Democratic Senators, of varying persuasions, joined all but four Republicans in support of the bill. The Democrats voting for the bill were: Akaka, Baucus, Bradley, Dodd, Exon, Feinstein, Ford, Harkin, Johnston, Kennedy, Kerry (MA), Kohl, Lieberman, Mikulski, Moseley-Braun, Murray, Nunn, Pell, Reid, Robb and Rockefeller. It is unclear how many of these would vote to override a veto. In the House, 20 Democrats from all parts of the party have signed a dear colleague letter in favor of the bill. Mr. Dingell and Mr. Markey have issued a dear colleague in opposition.

Recommendation

Your economic advisers, including NEC, CEA, OMB, Treasury and Commerce, strongly recommend that you decide now to sign the bill, that you inform both Senator Dodd and the high-tech community of that decision, and that senior administration officials inform important Administration supporters who are opposed to the bill of your decision. This recommendation is based largely on these advisers' belief that the safe harbor and proportionate liability provisions are acceptable, that it is critical going forward to retain the strong support of the high-tech community, and that such support would be completely dissipated by a veto of this bill. Pat Griffin has voluntarily recused himself on this issue because of prior client relations. Paul Carey of the Office of Legislative Affairs agrees with the assessment of the economic advisers and also believes that Senator Dodd would be deeply offended by a veto of the legislation.

Bruce Lindsey and the Counsel's office believe that a veto threat might generate some movement toward a more "balanced" bill. They are very concerned about the strength of negative publicity the bill has received since the Senate vote, especially so if the SEC remains opposed to the safe-harbor provision. They recommend that you publicly acknowledge the SEC's important views on the merits of the bill, and thereby insist on further changes in the safe harbor, private aiding and abetting, and statute of limitations provisions. Though even these changes may not mollify the bill's critics -- and though they carry a substantial risk of an actual veto -- they arguably provide you with the necessary political cover you need to support the bill. If the changes were not made, you would have no choice but to veto the bill.

Decision

___ Support the conference draft

___ Insist on further amendments on safe harbor, private aiding and abetting, and statute of limitations

___ Let's discuss.

Losing Your Right to Sue?

Congress may make it hard for you to pursue a case of securities fraud

BY JANE BRYANT QUINN

TALK ABOUT A TWIST OF FATE. REP. CHRISTOPHER COX, a California Republican, wrote a tough, aggressive bill on securities-law reform, which passed the House of Representatives in March. If it becomes law, investors who think they've been defrauded will find it incredibly hard to bring a class-action lawsuit to recoup their loss.

Just two months after his bill passed, Cox found himself tagged by just such a suit, brought by some victims of the noxious First Pension fraud. In a second suit last week, First Pension's court-appointed receiver charged Cox, among others, with contributing to the hoax. "Defamatory and wildly false," Cox fumes.

First Pension handled the paperwork for tax-deferred retirement accounts. It also sold clients fraudulent real-estate investments and secretly tapped their accounts for cash. The company is in receivership, its principals in jail and its customers out $136 million. To recover some money, investors are going after the supporting players. That includes Cox and his former law firm, Latham & Watkins. Cox's job was to set up a company that could have absorbed the purported mortgage investments. The lawsuits allege that he knew, or recklessly failed to find out, that the mortgages weren't sound. Says Cox, "I did not know. First Pension concealed the fraud."

So is Cox the innocent victim of scorched-earth lawyering? Or is he an enabler who deserves to be called to account? The courts will decide this specific case. But the issue encapsules the conflicts that swirl around securities-law reform.

The objective of reform is to staunch what companies claim is a flood of frivolous lawsuits. Greedy lawyers, they say, sue on flimsy grounds. The companies pay as the cheapest way out. But the Cox bill and another bill before the Senate would stifle honest lawsuits, too. Among other things, they:

■ *Preserve a Supreme Court decision that sharply limits the time for bringing a securities suit.* Formerly, you had three years to sue in federal court, starting from when the fraud was discovered. In 1991, the court cut that back to just one year but in no event more than three years after the date you bought. So if a crook can deceive you long enough, you lose the protection of these laws. Most of First Pension's investors have been caught in that trap, says San Diego attorney Michael Aguirre. The scam began more than a decade ago but investors just recently found it out. So they can't sue for securities fraud, either in federal or state court. Aguirre is suing for common-law fraud, but says that it's not an easy fit.

■ *Preserve another Supreme Court decision that lets some of the people who helped with a fraud escape liability for the loss.* It's the lawyers/accountants/consultants self-protection clause (although those who are central to the fraud remain on the hook). This rule would have limited the sums recovered by those who bought bad bonds from the notorious Charles Keating, chief of the Lincoln S & L. Keating's company went broke and he went to jail. His duped investors got most of their money back, says San Diego lawyer Bill Lerach, but only because they successfully sued the minions who helped him operate. (I do think, however, that marginal players shouldn't have to foot the entire bill. Some sort of proportional payment is fair, as the proposals suggest.)

■ *Make it harder to sue a company that grievously misleads investors.* Under current law, it's OK for execs to make good-faith business predictions, even if their guess is wrong. They're liable only for deliberate fibs. But because they worry about lawsuits, they may suppress even reasonable forecasts that might help investors make a decision about the stock. Hence, this proposal, which makes it safer for managers to talk. But like so much else in these slipshod bills, it goes too far. A shady promoter could safely say almost anything. You'd call it a lie; he'd say it was innocent optimism. To win a lawsuit you'd have to prove that the speaker intended to deceive—which is pretty tough to do. Cox's bill (but not the bill in the Senate) could protect even a deliberate lie.

■ *Put investors and their lawyers at risk of owing the defendants' legal fees if they lose their case.* Cox scoffs at the thought that judges would actually order individuals to pay. "The lawyer would pay" and add the cost to your fee, he says. But the mere threat of owing a corporation's costs will scare people off—and scare all but the best-funded lawyers, too. Sen. Richard Bryan has a better idea. He proposes a screening process that would test the merits of a suit. If the screener thought it was frivolous—and you brought it and lost—*then* you'd risk paying all the costs. Ditto on the other side, if the company refused to settle what looked like a meritorious claim.

In America, lawsuits have always been a contact sport

Some reasonable, Bryan-like compromises need to be reached because Congress (especially the House) is throwing a bomb at a problem that just needs a switchblade. There's not even a litigation explosion, says James Newman, publisher of Securities Class Action Alert in Cresskill, N.J. The number of lawsuits is up, but that's because more are filed in each dispute. The number of companies sued remains in a constant range. There were only 140 in 1993, he says.

Another myth is the oft-heard claim that "vulture lawyers" automatically sue if a company's stock falls by 10 percent in a single day. Baruch Lev, a professor at the University of California, Berkeley, tested a version of this idea for the three years ending in 1990. Of 589 companies whose stock price dropped by more than 20 percent in the five days around the time of a disappointing earnings report, only 20 were hauled into court. And rarely on the strength of the price drop alone, says Jonathan Cuneo, general counsel of the National Association of Securities and Commercial Law Attorneys. In many of these cases, he says, "executives are telling the public that everything is going to be great while they're bailing out and selling their own stock."

There's some good stuff in these bills, especially in the Senate version. They stop lawyers from paying a bounty to people who find them clients, block stockholders who sue for a living and try to discourage frivolous suits. But they overreach. In a nation of laws, you're disenfranchised if you lose your day in court.

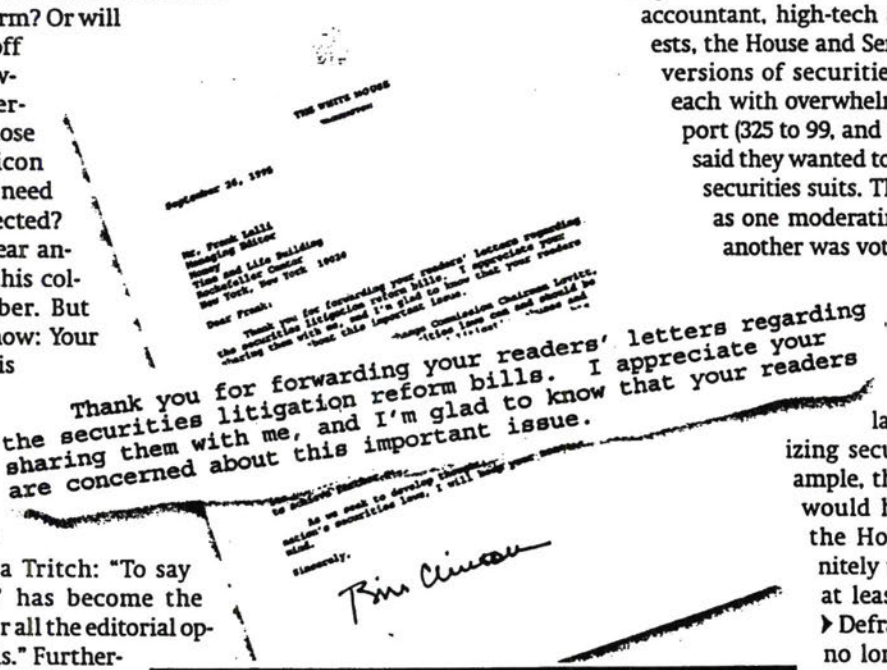
Reported by TEMMA EHRENFELD *and* LOUISE NAMETH

Your 1,000 letters of protest may stop this Congress from jeopardizing investors

YOU GOT THROUGH TO THE PRESIDENT. MORE THAN 1,000 MONEY readers so far have written us urging President Clinton to veto this Congress' misguided securities litigation reform, as this column proposed in September and October. Bette Hammer of North Port, Fla. summed up your message: "These bills are legalizing white-collar crime." As we said we would, we have been forwarding every one of your letters to the President and to key Washington lawmakers.

What will happen? Will the President veto the legislation? Will lawmakers rework it into an acceptable form? Or will the President back off to win favor with powerful business interests, particularly those in California's Silicon Valley that he may need so he can get re-elected?

There were no clear answers as we wrote this column in early October. But this much we do know: Your deep disgust with this so-called reform is having a profound impact in Washington. One source told MONEY Washington bureau chief Teresa Tritch: "To say 'MONEY magazine' has become the shorthand phrase for all the editorial opposition to these bills." Furthermore, as we were preparing this column, the President sent us the letter here expressing his serious objections to the proposed law. It concludes with a promise: "As we seek to develop thoughtful, balanced reforms to our nation's securities laws, I will keep your readers' views in mind."



THE WHITE HOUSE

September 26, 1995

Dear Frank:

Thank you for forwarding your readers' letters regarding the securities litigation reform bills. I appreciate your sharing them with me, and I'm glad to know that your readers are concerned about this important issue.

As we seek to develop thoughtful, balanced reforms to our nation's securities laws, I will keep your readers' views in mind.

Sincerely,

Bill Clinton

In more than 1,000 letters to MONEY, you asked the President to veto misguided securities litigation reform. This reply shows he heard you.

He would be wise to do that. There are a lot of votes at stake. Take M.L. and A.H. Spratley of Chatsworth, Calif. They describe themselves as "registered Republican(s) for over 40 years who have never voted for a Democrat...but now have no choice but to vote for Mr. Clinton in 1996." That is, unless he fails to "veto the outrageous bills." A politically savvy source summed up the situation this way: "If the President vetoes this, he may win the vote of the common man, but he may lose the money and support of high-tech that he needs to win in California."

Whatever the outcome, however, the struggle over the securities litigation reform bills, H.R. 1058 and S. 240, offers a picture-window view of how laws are being created by the lobbyists and for the lobbyists in this 104th Congress. And, more positively, it also provides a revealing peek at the potentially enormous power that ordinary people have when they find a way to amplify their voices, as they are doing on this issue.

A little background: Earlier this year, following a multimillion-dollar lobbying effort by accountant, high-tech and securities interests, the House and Senate passed differing versions of securities litigation reform, each with overwhelming bipartisan support (325 to 99, and 69 to 30). Lawmakers said they wanted to discourage frivolous securities suits. That is a fine goal. But as one moderating amendment after another was voted down, the legislation the Republican majority and the lobbyists produced went far beyond curbing meritless lawsuits to all but legalizing securities fraud. For example, though the Senate bill would have similar effects, the House bill would definitely undercut investors in at least two specific ways:

- Defrauded investors could no longer collect damages from company executives who tricked them out of their money by deliberately lying about their firms' prospects.
- And if investors sued and lost, the judge could more easily force them and their lawyers to pay the winners' entire legal fees. As a consequence, a number of legitimate cases would never get filed. Sen. Arlen Specter (R-Pa.), for one, foresees "a profoundly chilling effect on litigation brought under the securities acts."

In addition, both bills failed to reinstate fundamental investor protections stripped away by two recent, ill-advised Supreme Court decisions:

- Defrauded investors can no longer sue hired guns who assist a dishonest company, the firm's so-called aiders and abettors, including accountants, brokers, lawyers and bankers.

COLUMNISTS PHOTOGRAPHED FOR MONEY BY MICHAEL RAAB

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AVAILABLE AT PARTICIPATING RETAILERS.

And, worse, investors cannot sue at all if they fail to file within three years after the fraud occurs, even when the crime is not discovered until after the deadline.

In his letter to MONEY, the President clearly rejects the House version, which is more extreme than the Senate alternative. "I could not support that bill," he writes. But he holds out hope that the Senate bill could get improved enough for him to sign it into law. The horse-trading would normally be done by a hand-picked committee of bipartisan lawmakers from both houses. But partly because of your 1,000 letters of protest, the Republicans calling the procedural shots are stalling on convening such a House-Senate conference committee.

Key Republicans, and some nervous lobbyists, fear that House conservatives, notably Chris Cox (R-Calif.), would insist on preserving a few of the House's most extreme provisions in the committee's final compromise bill. If that happened, odds would soar that the President would veto the bill, and that many Senate Democrats and a few Republicans who voted for the Senate version would switch over and sustain the veto. Result: No securities litigation reform at all.

To avoid that scenario, Senate Republicans are trying to convince House colleagues to accept the current Senate version as the final bill. The President might veto that one also. But chances are, he would not do that unless he was sure enough Senate Democrats who supported that version—including Massachusetts' Edward Kennedy, New Jersey's Bill Bradley and West Virginia's Jay Rockefeller—were willing to flip-flop to sustain his veto.

You can bet that the lobbyists who have been pressing for years to protect their corporate clients from being sued for fraud will have a lot to say about the Republican tactics and the outcome. MONEY has learned that the big accountants, who were shaken by the billion-dollar judgments against them in the savings and loan scandal, would be more than satisfied to get today's Senate bill. Securities industry lobbyists would go along with it too; their hot-button issue is retaining the truncated three-year statute of limitations on fraud suits. Fortunately for them, Sen. Alfonse D'Amato (R-N.Y.), who has accepted more than $800,000 in campaign contributions since 1989 from the securities industry, deleted a provision that would have extended the time limit to five years. People don't call him The Senator from Wall Street for nothing.

However, other lobbying interests are demanding the House bill's bullet-proof protection for lying executives. The Senate language, though also ludicrously lax, does at least allow for executives to get in trouble for statements "knowingly made with the purpose and actual intent of misleading investors." The burden would be on the investors, though; they would have to prove that the company official actually intended to defraud them, rather than, say, simply tried to entice them with recklessly inflated claims. If the Senate version becomes law, Sen. Paul Sarbannes (D-Md.) says, "A lot of very fast games by some very fast artists are going to be played on the investing public." Still, a Washington source says: "Silicon Valley is insatiable. Unless they're protected from fraud, they won't go along."

So what will the President do if today's Senate bill lands on his desk as the final legislation? Or if he gets an only slightly altered version?

We can only hope that he stands up for small investors like you by vetoing it. Anything less could undermine the public's confidence in the financial markets. Why? Because while Congress is trying to slam the courthouse door shut, it is also threatening to force securities cops off the beat. Late in September, for example, the Senate voted to cut the Securities and Exchange Commission's budget by 10%, even though the reduction might well compel the SEC to lay off enforcement agents.

What should you do? Obviously, if you believe as we do that today's securities litigation legislation foolishly sacrifices investors' interests on the altar of radical reform, keep writing to us. We will relay your thoughts to the key lawmakers and to the President.

Write to: Protect Our Rights, MONEY, Room 32-28, Time & Life Building, Rockefeller Center, New York, N.Y. 10020. Send a fax to: 212-522-0119. Or send E-mail to: letters@moneymag.com.

Frank Lalli

FRANK LALLI, *Managing Editor*

SILICON VALLEY, CALIFORNIA

November 3, 1995

The Honorable William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

We wish to state unequivocally that securities litigation reform legislation is of critical importance and interest to our companies. We understand from numerous sources within the White House that this Administration believes that Silicon Valley companies do not consider securities reform a pivotal issue.

By delivery of this letter to you, Mr. President, we wish to underscore the degree of our intensity in support of meaningful reform.

For almost four years we have devoted substantial energy and efforts toward making common sense changes in the nations securities laws, thereby hoping to end the relentless onslaught of frivolous lawsuits against our companies. As a result of discussions with your staff we have acted in good faith and have moderated our position to meet your concerns.

The high technology companies are united on this issue. The signatories of this letter represent the leading companies of Silicon Valley, and speak with confidence that we reflect the views of thousands of technology companies nationwide.

Mr. President, believe us, this is a definitive issue for our industry.

Sincerely,

Gilbert F. Amelio
Chairman, President and Chief
Executive Officer
National Semiconductor Corporation

Michael A. Brown
Chief Executive Officer
Quantum

Eric A. Benhamou
President and Chief Executive Officer
3COM

Gordon E. Eubanks, Jr.
President & Chief Executive Officer
Symantec Corporation

James Bergman
Partner
DSV Partners

Jeffrey O. Henley
Executive Vice President and
Chief Financial Officer
Oracle Corporation

S. D. Colella
Partner
Institutional Venture Partners

Mark Hoffman
President, Chairman and Chief
Executive Officer
Sybase, Inc.

Wilfred J. Corrigan
Chairman/Chief Executive Officer
LSI Logic Corporation

C. Richard Kramlich
Partner
New Enterprise Associates

Joseph B. Costello
President and Chief Executive Officer
Cadence Design Systems

Edward M. McCracken
Chief Executive Officer and
Chairman of the Board
Silicon Graphics Inc.

Scott McNealy
Chairman, President and Chief
Executive Officer
Sun Microsystems, Inc.

Lewis E. Platt
Chairman, President & Chief Executive
Officer
Hewlett-Packard Company

Gordon E. Moore
Chairman
Intel Corporation

Robert Saldich
President and Chief Executive Officer
(retired)
Raychem Corporation

James C. Morgan
Chairman and Chief Executive Officer
Applied Materials, Inc.

W.J. Sanders, III
Chairman and Chief Executive Officer
Advanced Micro Devices Inc.

J. Tracy O'Rourke
Chairman and Chief Executive Officer
Varian Associates Inc.

Grant Saviers
President and Chief Executive Officer
Adaptec, Inc.

Thomas Perkins
Partner
Kleiner Perkins Caufield & Byers

George Sollman
President and Chief Executive Officer
Centigram Communications Corporation

Michael Spindler
President and Chief Executive Officer
Apple Computer, Inc.

James G. Treybic
Chief Executive Officer
Tandem Computers

Charles R. Trimble
President and Chief Executive Officer
Trimble Navigation Limited

Bernard V. Vonderschmitt
Chief Executive Officer
Xilinx, Inc.

John E. Warnock
Chairman and Chief Executive Officer
Adobe Systems Inc.

TO Bowles
Fyi- BK

THE PRESIDENT HAS SEEN
11-10-95

JOHN D. DINGELL

Mr. President, —

This column tells us one component of your win and a Democratic win in 1996. —

All good wishes

John

CAPITAL JOURNAL
By Gerald F. Seib

The Real Issue: Can Americans Hang Together?

THANKS TO SUCH diverse figures as Louis Farrakhan and Patrick Buchanan, race relations are sure to be an issue in next year's presidential campaign. That's good; the existence of a widening racial divide in America at the end of the 20th century is so troubling that it should be a top concern.

But there's a more subtle problem that isn't likely to be discussed so much. It's the potential Balkanization of America, the splintering of society into a collection of ethnic, religious or political subgroups whose members retreat into their own enclaves and seek to seal out others.

"If present trends continue, we are going to devolve to the point where America is unrecognizable," worries James Pinkerton, a social thinker who worked in the Bush White House and has just written a book ambitiously titled, "What Comes Next."

Whether America goes the way of Bosnia should be a question of more than passing interest. Yet politicians aren't likely to dwell on it, partly because it's often in their interest to play one enclave off another in pursuit of votes.

Florida's Older Voters Are Starting to Turn Cool To GOP Because of Looming Medicare Overhaul

By John Harwood
Staff Reporter of The Wall Street Journal

PINELLAS PARK, Fla. — When she visits Orlando next month for a GOP presidential straw poll, delegate Shawn Ferguson knows what she wants from the candidates: to shrug off Democratic "whining" about Medicare overhaul and help complete the Republican revolution.

"While there's a head of steam, they need to keep going," Ms. Ferguson says, sipping coffee in her comfortable adults-only development north of St. Petersburg.

Shawn Ferguson

But Ms. Ferguson won't be traveling to the straw poll by herself. Her mother, Dorothy Romano, who is leading voter-mobilization efforts for the American Association of Retired Persons, will go along, too — not to back a candidate, but to pack a reception room "ceiling to floor" with AARP literature. She complains Republicans are changing Medicare and Medicaid, the giant health programs for the elderly and the poor, respectively, by "too much all at once."

The changes may go over big in GOP primaries, but polls show they are cutting into support among older voters Republicans will need to win next fall. "They are playing with people's lives," warns Ms. Romano, 67 years old, a Republican who lives just a few doors down the street from her 49-year-old daughter. "There's a groundswell coming."

Here in Florida, the megastate that's home to the nation's largest proportion of Texas, New York and Michigan, Republicans in Florida don't have a friendly governor to make the changes go down any easier. The reason: Democratic Gov. Lawton Chiles ran well enough among older voters to withstand last November's GOP tide. Mr. Chiles now warns senior citizens the Republican agenda will hit Florida like a hurricane.

"Self-interest is the single most potent force in politics," says Republican pollster David Hill. "Until someone can redefine self-interest in a different way for these people, it's going to be difficult to deal with."

Republicans in Washington are trying, arguing that they are saving the program from bankruptcy instead of slashing it. But Ms. Romano and other AARP volunteers, representing the organization's 2.3 million members statewide, won't make the job any easier.

More than two dozen of them recently gathered in Tampa to plot strategy and bemoan highlights of the GOP proposals: a near doubling of monthly Medicare premiums to $87 in 2002 from $46.10 currently, with additional charges for high-income seniors; a doubling of the $100 annual deductible for doctor visits; and repeal of federal nursing-home standards.

"It's really scary for older people," says Ms. Romano, an effervescent woman who's helping plan issue workshops at retirement communities, inviting candidates to speak and preparing to distribute thousands of AARP "voter guides."

Older Republicans and Democrats alike are getting rattled. At On Top of the World, a sprawling collection of Clearwater retirement villas, many retirees grumble about the GOP plans with the same weary cynicism that for years has greeted Democratic calls for tax increases. Their scorn includes complaints about congressional pay and billing abuses by doctors and hospitals.

"They're taking it away from the wrong people," says Republican Bob Lee, relaxing under the live oak trees at the development's weekly golf tournament. The Michigan native voted for George Bush in 1992 but doesn't rule out supporting Mr. Clinton next year, saying Medicare "is going to have a big effect."

Republicans say the vast majority of proposed savings would come from health-care providers, not beneficiaries. But that in turn is raising anxiety in the business community.

A recent Florida Chamber of Commerce survey showed that 50% of its members fear a balanced-budget plan including Medicare and Medicaid cutbacks would damage the state's economy. The proposed House Medicaid changes alone would reduce projected federal funds in Florida by about a third in 2002, a worrisome prospect for nursing-home proprietors already operating on slender margins.

New Policies Are Studied

The GOP's Mr. Kiser, who heads a commission to develop new statewide policies on aging, hopes that government and business alike can adapt through expanded home health services, programs to help middle-aged children care for aging parents, and perhaps local-option taxes to finance senior services. In the short term, Republican elected officials hope to skirt any fallout in 1996 since the biggest changes from Washington won't be felt immediately.

"I just hope the people are as intelligent as I think they are," says Rep. Michael Bilirakis, a Republican who represents retiree-laden communities north of St. Petersburg. But if Democrats succeed with their "hate-mongering," he adds, "it may cost us some."

That's what makes Shawn Ferguson so mad. Though she's confuse san cross-fire, she complai crats "are just terrifying people."

It's not, however, an within her own family. "M go round and round," she sa "I say, 'Mother, really' it.'"

senior citizens, the gathering storm is already reshuffling possibilities for the 1996 election. After years of dominance by Republican presidential candidates, anxiety among the elderly is opening the unlikely prospect that President Clinton could capture the Sunshine State's 25 electoral votes—which by itself would alter the strategic calculus for the entire campaign.

And even if Mr. Clinton falls short, the unease could slow the GOP's drive to seize control of both chambers of the state Legislature and hold its robust 15-8 edge in U.S. House seats. Florida Republicans in Congress have remained remarkably unified so far, but some party members worry that the real-world impact on senior citizens here has been obscured by a focus on the bottom-line agenda.

Republicans "need to start putting some faces on those people," says veteran GOP official Curt Kiser, a moderate who fears his party's push for a $245 billion tax cut at the same time it is squeezing Medicare undermines its attempt to capture the political high ground. "If these issues aren't handled delicately, you could have major problems."

As Congress continues pursuing historic revisions this week, Republicans are marching past warning signs across the nation. In its 1994 election triumph, the GOP managed to split the vote with Democrats among Americans 60 and over. But the latest Washington Post/ABC News poll shows that voters over 60 now plan to vote Democrat for Congress by a 20% margin.

No state will be more affected than Florida, where 60-and-older voters make up one-third or more of the electorate. The retirees who pack the high-rises along South Florida's Gold Coast, fill new subdivisions sprouting north of Tampa Bay and occupy 65,000 nursing-home beds across the peninsula represent an integral part of the state's business fabric as well. GOP plans to squeeze some $450 billion from projected Medicare and Medicaid spending, says Democratic Lt. Gov Buddy MacKay, will cost the Florida economy $38 billion.

Dorothy Romano

Wooing conservative activists for the straw poll, Republican presidential contenders have almost uniformly backed the budget-balancing regimen. But longshot Pat Buchanan, eying an opening among elderly Republicans, has broken ranks with the likes of Robert Dole, Phil Gramm and Lamar Alexander. He says his rivals "have got their priorities wrong" by seeking to squeeze Medicare while voting to preserve foreign aid and their own pensions.

The sweeping overhaul of Medicaid, which finances long-term care for nursing-home patients, also makes some Republicans nervous. Amid predictions from state Democratic leaders of new curbs on access to nursing homes, GOP Florida Reps. Tillie Fowler and Mark Foley have complained to Speaker Newt Gingrich that a House Medicaid-funding formula that would cost Florida an estimated $10 billion or more by the year 2002 is unfair.

Unlike their counterparts in California,

ALL THIS COMES to mind because of last week's Million Man March of African-American men on Washington. As was obvious to anyone who listened to the hours of speeches that preceded Mr. Farrakhan's controversial remarks, the overall message of the march was an uplifting declaration that African-American men—and men of all colors, for that matter—should pay more attention to matters of home, family and community.

Yet on another level, the implication of the march was troubling. By its very existence, it suggested that black problems are best solved within the black community, rather than in American society at large. Today, that may well be true, which is all the more troubling for the concept of America as melting pot.

It's hardly the march alone that suggests Americans are being tempted to retreat into enclaves. In Ohio, a newsletter read by citizens' militia members advises how to store ammunition, camping gear and food for when citizens will have to flee to the countryside to avoid government intrusion.

In Kansas City, Mo., the Journal's Dennis Farney reports, a decadelong attempt to desegregate the school system has left many blacks feeling that the 1960s dream of racial integration simply is unattainable. Around the country, at least half a million children now are educated privately by parents in their homes rather than alongside their peers in schools, and the number is growing.

Other, larger forces threaten to pull Americans away from common social bonds. Throughout the 20th century, three institutions have done more than any others to give Americans a common set of social and cultural experiences. They were public schools early in the century, near-universal military service for men in the middle of the century and three dominant TV networks in the second half of the century.

EACH OF THESE institutions may have been a historical aberration; clearly each has eroded. Universal military service is gone. Because of their own failures, public schools are losing students to private education. And technology that pumps dozens of cable-TV stations into a home has broken the hold of the three big networks. The prime-time share of TV sets tuned to the networks has dropped to roughly 60% today from 90% in 1978, says Robert Lichter, of the Center for Media and Public Affairs.

Simultaneously, there is rampant cynicism about the other big institution common to the lives of all Americans, the federal government. Republican efforts to "devolve" power out of Washington will further diminish central-government impact.

Yet America is a country that needs unifying forces more than ever before, precisely because it is becoming more diverse. Today, Muslims outnumber Episcopalians in the U.S. Three out of four Americans, or some 192.5 million, are whites, but the population also includes 32.5 million African-Americans, almost 26 million Hispanics and nine million Asian-Americans. The idea of all those Americans identifying themselves as members of some subset, rather than as parts of the whole, is frightening.

Americans will need unifying institutions that work. Mr. Pinkerton says one way to start is to make the federal government a more credible force by narrowing the range of things it tries to do and focusing it instead on a smaller set of "core competencies," obviously necessary and legitimate tasks it does well.

More broadly, political leaders assume a duty to lead all Americans to common ground as society changes. Here are the megaquestions: Will history show that multicultural nations—the Soviet Union, Yugoslavia, even Canada—couldn't hang together at the close of the 20th century? Or that America stood against this tide?

THE WHITE HOUSE

WASHINGTON

November 8, 1995

Thomas W. Koonce, M.D.
Radiology Consultants
Suite 1100
9601 Lile Drive
Little Rock, Arkansas 72205

Dear Thomas:

Thank you for your letter regarding Medicare payment for emergency radiology services. I have forwarded your letter to Secretary Shalala at the Department of Health and Human Services, and I know your concerns will be reviewed.

I am committed to preserving high quality patient care in the Medicare program. Even as we work to promote fiscal responsibility, I will continue to fight to ensure that our nation does not turn its back on the health and well-being of our citizens, both young and old.

I appreciate your interest in these important issues and welcome your involvement.

Sincerely,

Bill Clinton

I'll check this out
Thanks for bringing
it to our attention

RADIOLOGY CONSULTANTS
Treating Your Needs With Care

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JOSUE MONTANEZ, M.D.

Diplomates American Board of Radiology

† *Diplomate American Board of Internal Medicine*

✱ *Diplomate American Board of Nuclear Medicine*

● *Diplomate American Board of Nuclear Radiology*

October 20, 1995

Ms. Nancy Hemmieda
1600 Pennsylvania Avenue
Washington, D.C. 20500-2000

Dear Nancy:

President Clinton is a personal friend of mine, and he gave me your name and address to write to if I needed to get his personal attention. This matter needs to be addressed within the week. Please pass this on to him, and let me know that he has received my letter.

Thank you.

Sincerely,

Thomas Koonce, M.D.

TWK:djs

9601 Lile Drive, Suite 1100 • Baptist Medical Towers I • Little Rock, Arkansas 72205
501/227-5240 Fax 501/227-9151 800/569-8772

RADIOLOGY CONSULTANTS
Treating Your Needs With Care

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Diplomates American Board of Radiology
† *Diplomate American Board of Internal Medicine*
* *Diplomate American Board of Nuclear Medicine*
● *Diplomate American Board of Nuclear Radiology*

Pam/Jim ASAP
cc: RASW

October 20, 1995

President Bill Clinton
1600 Pennsylvania Avenue
Washington, D.C. 20500-2000

Dear Mr. President:

I am asking you to intervene with HCFA to stop implementation of a policy that will denigrate care to patients in hospital emergency rooms. I have learned that a decision to include a new policy on emergency radiology in the final rule for the 1996 Medicare Fee Schedule will be made in the next few days.

I would be happy to come to Washington to meet with your staff at some point, but for now time is of the essence. This needs immediate attention. Please call Secretary Shalala and Bruce Vladeck and tell them the emergency radiology policy should be revoked from the fee schedule rule and delayed for more study.

The policy would jeopardize quality patient care and disrupt effective medical practice that has been in place for decades. While there may be some problems in some hospitals, this proposal is not the answer.

Additionally, the majority of Medicare carrier medical directors object to the change because they believe it is not in the patient's best interest. They also feel it would be impossible to implement and would cause substantial confusion. It appears that this has become a personal crusade by Tom Ault and HCFA. He has disregarded his medical carrier's desires and logic. Please contact Dr. James Adamson, the medical director of Arkansas Blue Shield to confirm this (501) 378-3240.

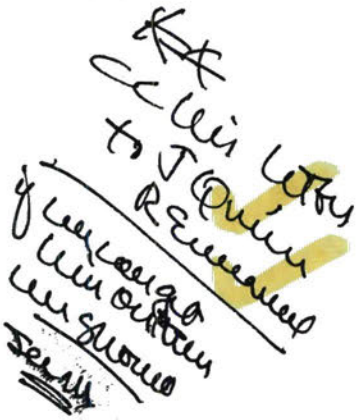
I sincerely appreciate your help and intervention in this problem.

Sincerely,

Thomas W. Koonce, M.D.

TWK:djs

9601 Lile Drive, Suite 1100 • Baptist Medical Towers I • Little Rock, Arkansas 72205
501/227-5240 Fax 501/227-9151 800/569-8772



HITE HOUSE
SHINGTON

November 8, 1995

Mike Gaines
5153 Westbard Avenue
Bethesda, Maryland 20816

Dear Mike:

Thanks for your letter of October 22. I was sorry to hear that your designation as Chair of the Parole Commission hasn't yet been finalized, and I've made Bob Nash aware of the situation. As you know, I have great respect for your experience and insight, and I appreciate your desire to further serve the Administration.

It's great to have Kay helping out in Carolyn's office, and I hope that you both are well. See you soon.

Sincerely,

Bill

Your letter was very helpful—
Thanks

cc w/ incoming
Bob Nash

Maureen
cc Bo Nash

Mike Gaines
5153 Westbard Avenue
Bethesda, Maryland 20816
October 22, 1995

The President
The White House
1600 Pennsylvania Avenue, N. W.
Washington, D. C. 20500-2000

Dear Mr. President:

I am writing to respectfully request your consideration of my appointment to the U. S. Sentencing Commission.

A headline in this morning's Washington Post contained two words we most desperately sought to avoid when I was on your staff in Arkansas, "Prison" and "Riot". It is especially distressing to read that a reason for the riots in federal institutions and the lockdowns they have necessitated, may be crack cocaine sentencing guidelines. This would not be a high visibility issue if the U. S. Sentencing Commission had heeded the sound advice and input of the Department of Justice in its consideration of an amendment relating to crack v. powder cocaine disparity in the guidelines.

Two terms on the Commission end on October 31, 1995. One is a full-time position, and only one of the two appointees must be a sitting federal judge. The law concerning appointments assures that there will always be an abundance of federal judges on the Commission, but they do not all need to be judges. I am convinced that you badly need at least one appointee on the Sentencing Commission who, in addition to having the appropriate legal background and knowledge, is also someone you know, someone who knows you, and someone who will look out for the interests of your Administration.

The current Chairman of the U. S. Parole Commission, who is neither a judge nor an attorney, serves as an *ex officio* member of the Sentencing Commission. At his direction, I sit in for him, on occasion, at Sentencing Commission meetings. Of necessity, I have become knowledgeable of the workings of the Sentencing Commission, their approach to issues before them, staff problems, etc. I know from my own observations that the crack cocaine issue is just one of many serious concerns.

At its September 6, 1995, meeting, for example, the Commission almost compounded the crack cocaine problem by making it retroactive. Fortunately, they did finally defer action, pending Congressional action on the Administration's legislation, while approving retroactivity on two other recent drug amendments. Other major issues facing them in the near future include the question of retroactivity in their money laundering amendment, proposed changes to the fraud guidelines, a two year guideline simplification process, and

the general and persistent problems relating to Congress, the judiciary, the public, the Commission's staff, and the Administration.

It has been a distinct honor to serve as your appointee to the U. S. Parole Commission this past year, and I was doubly honored with your decision in June to designate me as Chair. I regret that the designation has, thus far, not been finalized.

Should the designation be made, I am confident that I could be of assistance, not only as it relates to parole, but to the Sentencing Commission as well. While the *ex officio* position of the Parole Chair on the Sentencing Commission is non-voting, it does provide, for a person willing to exert it, an opportunity to be heard and to impact on the action of the Sentencing Commission.

This past year as your only appointee to the Parole Commission under a Bush appointed and designated Chair has been frustrating at times. There is an agenda at the Commission, but I do not know what it is. There are policy and budgetary discussions and decisions, but I do not have input. The Chairman meets frequently with "the Administration downtown", but I never do.

I very much want to serve you in the best way possible, but I feel I am greatly underutilized at present. I am convinced that my working knowledge of the federal sentencing guidelines along with my years of service in the criminal justice field and to you qualify me for a Sentencing Commission appointment should designation as Chairman of the Parole Commission not be a possibility.

I am truly grateful for the opportunities you have given me over the years, and especially the honor of serving in your Administration.

Sincerely,

Mike

Mike Gaines

Nash + Peg Clark have been great working with me. It was good to see you, and them, at the Hotel Washington fundraiser.

Being in Wash. is a wonderful experience for us. Kay loves volunteering in Carolyn Huber's office.

Thanks,

Mike

POTUS did see him

Hultin letter (DC 5) per NEC

WHITE HOUSE
WASHINGTON

November 8, 1995

Mr. Jerry M. Hultin
Warner & Hultin
16th Floor
155 East Broad Street
Columbus, Ohio 43215

Dear Jerry:

Thanks for writing and sharing your thoughts about the economy of the Midwest. I appreciate your support, and I'm always glad to have your advice.

It was good to see you in Columbus, and I hope you enjoyed our meeting as much as I did.

Sincerely,

Bill

+ think your advice about how to handle our economic situation is right on target — Thanks

Sorries

This guy is sharp & committed — we should ask him to play an important role in our —

Copy for Starr & Emerson

Warner & Hultin, Attorneys at Law

Ohio Office
155 East Broad Street, 16th Floor
Columbus, Ohio 43215-3617
Telephone: 614/464-1221
Fax: 614/464-1421

95 OCT 20 P5:32

Washington, D.C. Office
1341 G Street, NW, 7th Floor
Washington, D.C. 20005
Telephone: 202/588-2266
Fax: 202/393-7708

R. Scott Warner*
Jerry MacArthur Hultin**
Theodore K. Manley
Lisa A. Rothstein***

Of Counsel
Paula L. Brooks
Donald J. McTigue

*Admitted in Ohio, Illinois, and Florida
**Admitted in Ohio and the District of Columbia
***Admitted in Ohio and Illinois
All other attorneys admitted in Ohio

Direct Number: 202/588-2266

October 18, 1995

President William Jefferson Clinton
The White House
Washington, D. C. 20500-2000

Dear Mr. President:

A Midwest economic summit in Ohio is a perfect event. I'm glad you are capturing this opportunity.

In preparation for your trip, here are some observations about the Midwestern economy from someone who has made his living in business there for over two decades. I see two significant forces that impact the resurgence of the Midwestern economy and one major concern that still needs a solution.

1. "Short-smoke stacks". The economic strength we now observe in the Midwest started with the growth strategies of governors such as Dick Celeste, Jim Blanchard, and Evan Bayh that shifted from heavy industry to a "short-smoke stacks" emphasis on technology and manufacturing. Jill, my wife, headed Celeste's team that wrote Ohio's 1983 strategic plan.

2. Exports. Foreign trade has played an important role in the Midwestern economy's growth. Ohio continues to be one of America's top export states. For example, Ohio has a higher percentage of manufacturers who export than any other state in the nation. Ohio's primary export partner is Canada ($9.3 billion), followed by Japan and France. The residue of labor antagonism about NAFTA is not completely gone from Ohio, but NAFTA's impact has been more positive than negative; I think the unions are ready to move past the issue.

Also, as you probably recall, Columbus was the site of last year's United Nations Summit on World Trade Efficiency with over 2,000 American and foreign representatives in attendance; Secretary Brown represented the United States and Vice President Gore addressed the event by satellite.

These Midwestern successes -- merging technology with manufacturing and expanding exports -- have the same roots as policies you have pursued as Governor and President. Your support for the energetic linkage between technology and manufacturing -- and for opening the global marketplace -- will resonate among many Midwestern business leaders and voters. For those of us who made the most of this technology and growth, Douglas MacArthur's line seems apt: "There is no security on this earth; there is only opportunity." For others, this sentiment is still foreboding -- and this leads to my next thought.

Anxious workers. The Midwest is deeply in the grip of the downward pressure on workers' wages created by the global economy, corporate downsizing, and the "reengineering" of corporations. There are too many "anxious workers" in the Midwest whose needs have not been adequately addressed by the current crop of primarily Midwestern Republican governors. Your attention to their circumstances and concerns will be well received.

As a sign of intellectual hope for the "anxious worker", an increasing number of articles have appeared raising both business ethics and economic concerns about workforce downsizing and low wages levels. How, these authors are asking, does a corporation justify slashing its workforce while awarding substantial CEO bonuses -- and where do corporations expect purchasers to come from if more workers are not gainfully employed. I am sure you have seen the recent articles in business publications which question whether downsizing has even obtained the anticipated increases in productivity. (If you want to pursue the "business ethics" aspects of "anxious workers", there is another great Columbus connection for you to make. On November 8, 9, and 10, Columbus will host a major conference on business ethics that will include CEOs of major corporations from around the world. Either Scott or I can brief your speech writers on this business ethics conference.)

The essential question for the Midwest -- and the nation -- is how to build and sustain a robust consumer-based economy when so many workers/consumers earn too little to buy a home or a car for themselves, or a college education for their children. And the force of the global economy is now imperiling higher-skilled workers/consumers who, until recently, seemed impervious to these pressures. Last week, the *Wall Street Journal* had a major article on this loss of high-skilled jobs as American companies transferred even more jobs overseas (enclosed).

I suggest you and your cabinet members strike the balance between pride in the strength of the economy and recognition of the continued shortfall that causes workers to be anxious. Providing the resources and opportunity for all Americans to realize the American dream has been an essential hallmark of your Administration, and that's a good message for the Midwest to hear.

I look forward to a great event in Columbus. To ensure the summit's success, Scott Warner and I nominated and encouraged a substantial number of Midwestern CEOs, including many strong women, minority and small business CEOs, to participate in the summit.

Sincerely,

Jerry M. Hultin

Enclosure

P.S. My service on the Freddie Mac board of directors and as an advisor to the Chief of Naval Operations continue to energize me. Based on my experiences in these positions and other initiatives I am helping with, I hope we get to talk one-on-one soon.

Mr. President,

Ohio Day was a great success and this will be a second. This is the way to win Ohio.

I've got more ideas on what to do next.

Best wishes

Skilled U.S. Workers' Objections Grow As More of Their Jobs Shift Overseas

10-9-95

By G. PASCAL ZACHARY
Staff Reporter of THE WALL STREET JOURNAL

An increasing number of skilled jobs are moving out of the U.S., and American workers are getting louder in their objections.

The loss of skilled jobs to overseas workers is one of the issues that precipitated the strike against Boeing Co. that began last week. Unionized machinists at Boeing, the world's biggest commercial-aircraft maker, have demanded that the company limit its ability to shift skilled jobs offshore. The aircraft maker has said no, arguing that in order to win certain foreign business, it must have the option of moving some skilled technical and engineering jobs abroad.

The Boeing strike is only the most pronounced evidence of the rising anxiety of skilled U.S. workers, who believe that the growing reliance on foreigners will drive down their wages if not cost them their jobs altogether.

Training Your Replacement

The export of a highly skilled job usually occurs after a foreigner works for a period of time in the U.S., learning the ropes on his employer's home turf. At Boeing, for instance, workers from such countries as India and Poland routinely shuttle to and from the U.S., returning home with know-how in various aspects of aircraft design and manufacture.

Cherri Barrios, who makes airplane doors at Boeing, was asked four weeks ago to help a visiting worker from India develop training techniques for his co-workers at home. Ms. Barrios, who has spent seven years honing her skills at Boeing, balked. "I don't care to help them," she said. "I'm training them to do my job, and I don't know whether I'll have one myself."

To be sure, if Boeing can win more business abroad, as it argues, it will help maintain jobs in the U.S. And, more generally, global trade greatly benefits many skilled American workers, by broadening the market for their services. And many foreign companies do hire Americans, here and abroad, to fill skilled positions.

But there remain "legitimate" reasons for Americans to criticize the shift of some skilled jobs abroad, says Robert Reich, secretary of labor, who is lobbying for changes in the immigration law that would make it harder for skilled workers to enter the country from abroad.

"There are increasing instances in which U.S. companies lay off their American skilled workers and bring in foreign [replacements] at lower wages," Mr. Reich says in an interview. And, he contends, the practice can spiral. "If Americans don't get the skilled jobs in this country . . . those foreigners who do get those jobs will gain the skills" needed to perform tomorrow's top jobs, he says.

Others Shifting Abroad

Among the other trades seeing a shift abroad are computer programmers, physical therapists and cinematographers.

"It actually never crossed my mind that I'd get replaced by a Filipino," said Walter Korzeb, who in June lost his job in New Jersey as a computer programmer. A former truck driver who returned to school to learn programming, Mr. Korzeb earned more than $45,000 a year while working at the Sealand unit of transportation conglomerate CSX Corp. He was one of about 100 programmers Sealand let go this year when it chose to farm out some of its U.S. code writing to people from India and the Philippines. Pouring salt in his wound, Sealand asked Mr. Korzeb and some of his colleagues to help train their Filipino replacements. The replacements ultimately will work in Manila but are training in the U.S. under temporary visas.

Some of Mr. Korzeb's fellow programmers did help train the Filipinos, but "I basically ignored them," he said. He has since found another job as a programmer but at about a 20% lower salary.

A senior Sealand executive, who spoke on the condition that he not be named, said the switch to about 100 foreign programmers will save the company about 30% on such expenses. Nearly all of the foreign programmers will work in the U.S. at first, but in time, about three-quarters of them will work in India or the Philippines.

The National Association of Securities Dealers recently replaced about 30 U.S. programmers with Indian workers, about half of whom will do their jobs in India after a training period.

The idea that U.S. employers can import foreign workers for the purpose of firing Americans is astonishing to some. "It isn't fair, it isn't right, and when it happened to me, I thought it was illegal," says Jesse Lindsay, another Sealand programmer who was replaced by a foreigner this year.

Under the law, employers don't have to give any evidence that they can't find qualified Americans in order to justify hiring foreigners. Nor are employers obligated to train the Americans they currently employ in skills they say are required to meet future needs — even though companies often train foreigners for this very purpose.

In the motion-picture industry, which is booming, Americans complain that there is a growing influx of cut-rate foreign technicians working in this country. At the same time, it often is difficult for Americans to fill certain prized technical positions on movies filmed abroad, they say.

"The situation is one-sided; there's no reciprocity," says Bruce Doering, an official with the International Photographers Guild, a Hollywood-based organization that represents cinematographers. "Foreigners are allowed to work here, yet our people can't easily do the same abroad."

Mr. Doering says he believes that as many as 200 foreign cinematographers have worked on Hollywood films so far this year and that they often earn as little as half of the going rate for U.S. camera people.

Physical therapists also are facing tough competition from abroad. Over the past few years, the Department of Labor has taken 14 separate actions against foreign physical therapists working in the U.S. in violation of the requirement that they receive comparable pay to Americans. The cases covered a total of 400 therapists; in one case, 54 therapists were receiving $500 a month in wages, compared with the prevailing U.S. wage of $2,800.

Meanwhile, industry associations are tenaciously defending the status quo. Big employers, particularly those who have extensive global operations, are dead-set against any changes in the law that would make it harder for them to tap skilled workers around the world.

"There are only so many technically competent, or technically brilliant, people, and you need to go anywhere in the world to find them," says William Schroeder, chief executive officer at Diamond Multimedia Systems Inc., a maker of computer accessories.

Mr. Schroeder says that since skilled people can demand a premium salary in the U.S., it is understandable that employers will seek lower-cost alternatives abroad.

But he said there was "a natural limit" to how many skilled jobs can be moved abroad because of the costs of communication and other factors.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 11-10-95

TO: JILL

FROM: **Staff Secretary**

President would like you to raise the pardon/commutation memos with him.

THE WHITE HOUSE
WASHINGTON

November 8, 1995

Mr. President:

Attached are memos from Counsel listing proposed denials of pardons and commutations. The only Arkansan is Nicholas Baxter. No action is required on your part.

Todd Stern

I'd like to talk to Jane Turner about this — also want to discussion it to me

THE WHITE HOUSE

WASHINGTON

11-9-95

95 NOV 1 P4:45

October 26, 1995

MEMORANDUM FOR THE PRESIDENT

THROUGH: LEON E. PANETTA
CHIEF OF STAFF

FROM: ABNER J. MIKVA
COUNSEL TO THE PRESIDENT

CHERYL MILLS
ASSOCIATE COUNSEL TO THE PRESIDENT

VICKI DIVOLL
OFFICE OF COUNSEL TO THE PRESIDENT

SUBJECT: Denial of Pardon Requests

We have received the Justice Department's recommendations against pardons after completion of sentence for the petitioners identified below. After a review of the Pardon Attorney's memoranda summarizing the circumstances in these cases, we have concluded that denial of these petitions is appropriate.

We will transmit your denial of the petitioners' requests for pardon in the following 26 cases on Thursday, November 9, 1995, unless you reach an earlier decision or indicate that you would like additional information on any of the cases listed.

Joyce Geraldine Beach	North Carolina
Prentiss Arthur Carmichael	Texas
James Vincent Cozzolino	California
Richard Anthony Downs	Minnesota
J.B. Dykes	Georgia
Frances Ellen	California
Adolph Wildy Finnie, Jr.	Louisiana
Mike Mehdi Fooladi	Texas
Saeed Foroughi	California
Michael Leslie Helfand	Michigan
Ernest Edward Johnson	District of Columbia
Ronald James Kehoe	Michigan
Thomas Grant Lobello	Minnesota
John Lomelo, Jr.	Florida
Steven Scott Nail	Texas

Alvin Narcisse, Jr.	Louisiana
Mark Douglas Odom	North Carolina
Joseph Paul Poulos	Alabama
Raymond Leroy Pruett	Utah
Jorge Luis Reyes	Louisiana
Michael James Rogers	Texas
Anthony Joseph Scherer, Jr.	Illinois
Charles Richard Tedford	Texas
Amos Terrell	Louisiana
Rodney Gregory Van Cleave	Louisiana
Patrick Henry Wright, Jr.	Louisiana

DECISION:

APPROVE (sign) W J Clinton

DISAPPROVE (sign) _____

MORE INFORMATION _____

THE PRESIDENT HAS SEEN
11-9-95
95 NOV 1 P4:45

THE WHITE HOUSE

WASHINGTON

October 26, 1995

MEMORANDUM FOR THE PRESIDENT

THROUGH: LEON E. PANETTA
CHIEF OF STAFF

FROM: ABNER J. MIKVA
COUNSEL TO THE PRESIDENT

CHERYL MILLS
ASSOCIATE COUNSEL TO THE PRESIDENT

VICKI DIVOLL
OFFICE OF COUNSEL TO THE PRESIDENT

SUBJECT: Denial of Commutation of Sentence Requests

We have received the Justice Department's recommendations against commuting the sentences and/or remitting the fines of the petitioners identified below. After a review of the Pardon Attorney's memoranda summarizing the circumstances in these cases, we have concluded that denial of these petitions is appropriate.

We will transmit your denial of the petitioners' requests for commutation of sentence and/or remission of fines in the following 86 cases on Thursday, November 9, 1995, unless you reach an earlier decision or indicate that you would like additional information on any of the cases listed.

Christopher Kitua Akpala	Maryland
Fernando Almestica-Collazo	Texas
Roberto Ivan Alvarez-Baltodano	Florida
Pablo Jose Alvarez-Gonzales	Florida
John August Antonelli	Oklahoma
Jesus Hernan Arizala-Sinisterra	Virgin Islands
Maritza Balbin	Florida
Nicholas Allen Baxter	Arkansas
Jeffrey Scott Begeman	Virginia
Eligio Blanco (aka Busito)	Florida
Delbert Bowling	Kentucky
Thomas F. Bracewell	Alabama
Ronald E. Brooks	Alabama
Benny Michael Brown	Kentucky
Domingo Luis Bueno-Obregon	Florida

Eugar Dumount Burnett	Missouri
Joseph H. Burnett	Florida
Raymond Carrillo-Rojas (aka Raymond Rojas Carrillo)	California
Jose Alfredo Castro	Texas
Rodolfo Cepin (aka Carlos Colon)	Ohio
Shirley S. Coble	Alaska
Curley Lee Andrew Compton, Jr.	California
Damien Michael Connolly	Wisconsin
Scott Conor Crosby	Arizona
Larry Clayton Fields	North Carolina
Edward Gilbert	Pennsylvania
Felix Jorge Gomez	Alabama
William G. Graves	Maryland
Robert Vernon Griffin	Florida
Nereida Guzman	New York
Abdul Mohammed Haliq	Florida
Donald Ray Hall, Jr.	Illinois
Kenneth G. Hardy	Ohio
Ralvyn Harris	Louisiana
David Paul Henry	New Mexico
Mayra Hernandez	New York
Maximino Navarro Hernandez	Texas
Larry Hertz	Texas
Jerry Lynn High	South Carolina
Benjamin Hollingsworth	Mississippi
Ethel Hollis	Louisiana
Thomas H. Hornick	New York
Casey Gerard Howard	Mississippi
David Sherman Johnson	Kentucky
Agha Khan	California
Albert Kappell	North Carolina
Geneva Saylor Ledford	Kentucky
Michael Anthony Limon	Texas
Lelya Londono	Florida
Arthur William Mack	Oregon
David Thomas MacMillan	Alaska
Robert Vincent Manino	New Jersey
Kenneth Marshall	California
Allen M. Mason	Washington
William McCoy (aka William McBee)	North Carolina, Maryland, Georgia, Kansas, Illinois

Maureen McGinley	California
Michael Joel McMahon	Florida
Michael Reece Mellott	Oregon
Glenn Clifford Miller	California
David Lynn Mosby	Missouri
Akhtar Munir	Florida
Oakland Lloyd Nixon	Georgia
Anna Delia Pagan	Pennsylvania
Gladys Peluyera	Pennsylvania
Robert Henry Ponder	Georgia
Olanrewaju Raji	Illinois
Michael Wayne Resha	Florida
Henry Rice	South Carolina
Vincente Victor Robinson (aka Victor Vincente Robinson-Robinson)	Florida
Alvaro Rojo-Alvarez	Maine
Michael Gerard Santos	Washington
Juan Antonio Santos-Rivera (aka Saul Castillo)	Ohio
Stephen Warren Setlif	North Carolina
Harris Shendur	New York
Charles Joseph Sibbio (aka Anthony Peter Davey)	Tennessee
Mark Emmanuel Solana	Texas
Elizabeth Boyett Taylor	Texas
Maggie Denise Thompson	Alabama
Sarah Vasquez	Florida
Arturo Vasquez-Castillo	Virgin Islands
Abelardo Velasquez	Florida
Campbell Sebastian Violette (aka Peter Vogell and Peter Violette)	Massachusetts
Calvin Scott Wedington	Maryland
Robert Lee Wiley	Washington
Earlus Leon Williams	Ohio
Willard Williams (aka Felix Davis, "The Black Prince")	New York

DECISION:

APPROVE (sign) William J Clinton

DISAPPROVE (sign) _____

MORE INFORMATION _____

11/9

Todd

Should Scheduling get a copy

yes ?

S

THE IZAAK WALTON LEAGUE OF AMERICA

THE PRESIDENT HAS SEEN
11.9.95

Clark / OB
Work a good idea
to meet w/ these groups
Can do it
Randy should lead
BC

WILDLIFE CONSERVATION ORGANIZATIONS

Prepared by: Paul D. Hansen, Executive Director
Izaak Walton League of America
707 Conservation Lane
Gaithersburg, MD 20878

American Fisheries Society (9,200)
5410 Grosvenor Ln.
Suite 110
Bethesda, MD 20814
Executive Director: Paul Brouha
Professional society promoting conservation, development and wise use of fisheries.

American Sport Fishing Association
1033 North Fairfax St.
Suite 200
Alexandria, VA 22314
President: Mike Hayden
Sportfishing industry association whose goals include ensuring a healthy and sustainable fisheries resource and increasing participation in sportfishing through promotion and education.

Bass Anglers Sportsman Society (610,000)
5845 Carmichael Rd.
Montgomery, AL 36117
Chairman-CEO Helen Sevier
Organized to fight pollution and assist conservation agencies in educating young people about good conservation practices.

Ducks Unlimited (536,633)
One Waterfowl Way
Memphis, TN 38120-2351
President: Donald L. Rollins
Organized to protect, enhance, restore, and manage important wetlands to fulfill the life cycle needs of North American Waterfowl.

International Association of Fish and Wildlife Agencies
444 North Capitol St., NW
Suite 544
Washington, DC 20001
Executive V.P.: Max Peterson
Association of public agencies of countries in the Western hemisphere and associate members whose principle objective is conservation, protection, and management of wildlife and related resources.

Izaak Walton League of America (54,000)
707 Conservation Lane
Gaithersburg, MD 20878
President: Samuel E. Gibbons
Non-profit organization promoting conservation, protection, and restoration of North America's natural resources and their wholesome use.

The National Wild Turkey Federation, Inc. (90,000)
Wild Turkey Building
P.O. Box 530
Edgefield, SC 29824-0530
President: Glenn Harrelson
Non-profit organization promoting wise conservation and management of the American Wild Turkey.

Pheasants Forever, Inc. (75,000)
P.O. Box 75473
St. Paul, MN 55175
President: Robert C. Brengman
Non-profit organization to protect and enhance pheasant and other upland wildlife populations.

Quail Unlimited, Inc. (44,000)
P.O. Box 10041
Augusta, GA 30903
President: M. McNeill Holloway
Non-profit organization to improve quail and upland game populations.

Rocky Mountain Elk Foundation (84,000)
P.O. Box 8249
Missoula, MT 59807-8249
President: Keith I. Ward
Organized to ensure the future of elk and other wildlife by conserving, restoring, and enhancing natural habitats.

The Ruffed Grouse Society (23,000)
451 McCormick Rd.
Coraopolis. PA 15108
Executive Director: Samuel R. Pursglove, Jr.
Non-profit organization to improve the environment for ruffed grouse, woodcock, and other forest wildlife.

Trout Unlimited (75,000)
1500 Wilson Blvd.
Suite 310
Arlington, VA 22209-2310
Contact: Steve Moyer
Non-profit organization dedicated to the conservation and restoration of coldwater fisheries and their watersheds.

Wildlife Management Institute
1101 14th Street, NW
Suite 801
Washington, DC 20005
President: Rollin D. Sparrowe
Non-profit, scientific, and educational organization to promote professional management of natural resources for the benefit of the resources and the North America.

The Wildlife Society (8,900)
5410 Grosvenor Ln.
Bethesda, MD 20814
Executive Director: Harry E. Hodgdon
Professional scientific and educational organization dedicated to sound stewardship of wildlife resources and the environment upon which wildlife and humans depend.

United States Senate
WASHINGTON, DC 20510-0703

OFFICIAL BUSINESS

THE PRESIDENT HAS SEEN
11-10-95

J. Lieberman
U.S.S.

Leon/Loeva
This is very
good / thank
you so much
for the
opportunity

The Honorable William J. Clinton
President of the United States
1600 Pennsylvania Avenue, NW
Washington, DC

JOSEPH I. LIEBERMAN
CONNECTICUT

COMMITTEES:
ARMED SERVICES
ENVIRONMENT AND PUBLIC WORKS
GOVERNMENTAL AFFAIRS
SMALL BUSINESS

THE PRESIDENT HAS SEEN
11-10-95

United States Senate

WASHINGTON, DC 20510

SENATE OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-4041

STATE OFFICE:
ONE COMMERCIAL PLAZA
21ST FLOOR
HARTFORD, CT 06103
203-240-3566
TOLL FREE: 1-800-225-5605

November 9, 1995

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

PERSONAL AND CONFIDENTIAL

DETERMINED TO BE AN ADMINISTRATIVE
MARKING INITIALS: MN DATE: 7/14/19
2019-3774-S

Dear Mr. President:

The pending budget reconciliation legislation may present an opportunity, in the "end game" stage, for moderate Democrats to alter the tone and substance of the budget debate in a positive way. In particular, it may present you an opportunity to put your stamp on this legislation, and take credit for some new important provisions. These provisions could, in turn, make the bill more palatable to Democrats, and help encourage some in our party to accept the legislation.

From the perspective of most moderates in Congress, the outlines of a compromise seem fairly clear: a softening of the cuts in Medicare, Medicaid, student loans and the EITC, combined with a CPI adjustment and a reduced but still significant tax cut package (including capital gains and a middle-class credit). Obviously, many, and probably most, Democrats still will be reluctant to vote for such a package. A key question is whether you could negotiate some "enhancements" that could significantly improve the package and make it more acceptable to the party.

Below are three initiatives I have been involved in that I believe could be of use to you. I hope you will consider actively supporting them. I believe these "enhancements" would not only improve the package but would find signficant Republican support as well.

Enterprise Zones: I understand from Pat Griffin that you are considering a new enterprise zone initiative at the time of your State of the Union address. Allow me to suggest a modification of that timetable. I understand that the Republicans are working on an urban enterprise initiative for the beginning of January as a major part of their new legislative agenda for next year. Since your proposal would be announced a number of weeks later, their proposal could diminish the freshness of your own.. In addition, the big tax legislation is scheduled for this year, with no tax bill next year, so funding is available for an initiative now, and is unlikely to available later. Put simply, we have money on the table now, and nothing in 1996. It seems to me you could take advantage of this situation. You could insist

on an enterprise zone tax provision in the budget reconciliation negotiations, using, say, $5 billion of the huge tax numbers under consideration, and get credit for having achieved something very significant for the economic recovery of our cities; you could also use this provision to help bring around Democrats. You could still go with an additional initiative in January, building on what you may be able to achieve in the budget bill now.

I've been working with Senator Spencer Abraham on an enhanced enterprise community bill, S. 1252. Building on the enterprise community and empowerment zone initiative you helped finally get off the ground in 1993, we are working to provide additional tax and housing incentives to the approximately 100 areas already designated by your Administration as enterprise communities, but which (unlike the nine empowerment zones) received minimal financial benefits. Joining us as cosponsors of this bill are Senators Moseley-Braun, Breaux, DeWine, Santorum and Frist. We have strong bipartisan support from the left and right wings of both parties. The mayors also have been giving us a lot of support and help.

Jack Kemp observed a few weeks back at a hearing on S. 1252, "absent in all of the talk about the budget legislation has been one important word: 'jobs.'" As he put it, "The real train wreck is what those 400,000 men were saying on the Mall a few days ago: that there are not enough jobs in America. We are not creating enough opportunities for people to become entrepreneurs, to become owners, to become homeowners, to become business owners. To get jobs not only as truck drivers, but someday to own the truck and maybe start a little trucking company." I know that you strongly believe we ought to be doing more to help economically distressed urban and rural areas in this country. You've made a good start by identifying a number of those areas as enterprise communities and empowerment zones. Now, I think you could use the opportunity of this tax bill to do more. I'd like to help in that effort to build on the work we started in 1993, sooner rather than later. I think there is strong Republican support that could help get this done, if you propose it.

Savings/Investment Initiative ("Kidsave"): I'd also ask that you take a look at "KidSave," a proposal I've been working on with Senator Bob Kerrey, to transform the $500 middle-class tax credit being considered by the Conrgess into a long-term retirement savings account. KidSave allows parents to set aside an annual $500 credit in an IRA in their child's name. The tax-deferred account would be governed by IRA rules with one exception: children would be allowed to take a ten year loan against this money for their higher education. Thanks to the wonders of compound interest, $500 a year set aside from birth to age 18 would, at ten percent interest a year, grow to $1.3 million by the time the child reached age 59½, the age at which IRA funds can start to be withdrawn with no penalty. To paraphrase Huey Long, you could make every kid a king. More important, this proposal would transform what is yet another consumption-oriented entitlement program, into a long term savings and investment vehicle. In a comparatively short time it would become the largest savings pool in the world. Given our disasterously low national savings rate, it could become a critical investment in our future.

Like you, I believe that one of the greatest challenges we face is how to create economic opportunity and wealth for the working families of this country. We both

understand that Congress is divided between those who would like to cut taxes for middle-class families now and those who would prefer to balance the budget first. I believe that KidSave can bridge that divide because it is a better kind of tax cut, one that helps us address the nation's savings and investment crisis even as it provides tax relief. It achieves the same economic goal as balancing the budget: promoting savings. And best of all, unlike any other proposal, KidSave gives our children a tangible, financial head start on the rest of their lives.

I also understand that political realities may be such that Kidsave would have to be offered as an option to a $500 credit for parents. If that were the case, I would suggest that parents who opt to save for their children's future through KidSave be offered a "sweeter" incentive to do so, say $650 or $700. As I understand it, Laura Tyson and her staff are looking closely at this proposal and believe this proposal could be economically important. Both the Concord Coalition and the AARP have endorsed it - practically the first time they have agreed on anything. It could be a major new initiative that you could take credit for in the "end game" that would be very attractive to the middle class, and acceptable to most Republicans (both Roth and Domenici are likely supporters).

Capital Gains: Obviously, our party is going to have difficulty swallowing a capital gains tax cut. However, as you know, I have long supported such a cut and I'm delighted that you have left the door open on this issue. First, I believe that the Republicans will have to have a broad-based capital gains provision for a compromise to be accepted by their party. Second, I believe the additional "targeted" feature in the Senate capital gains version could give you a sound reason for accepting a broad capital gains provision. The targeted feature in the Senate bill is modelled on the provisions you advocated in your 1993 legislation, providing an additional capital gains cut for investors who are willing to invest in riskier new issues of small business stock. You are strongly identified with a targeted capital gains cut and I think you can rightly claim this provision as your own. As you know, IRS regulations blocked the full implementation of your provision; the Senate targeted provision corrects these problems. I believe the Republicans, led by Sen. Hatch, would support you if you insisted on this provision. While I can't promise you that a broad based capital gains tax would ever be embraced by most of our party, the targeted feature may help make a capital gains provision more acceptable since there have been numerous Democratic supporters of this approach in both Houses of Congress.

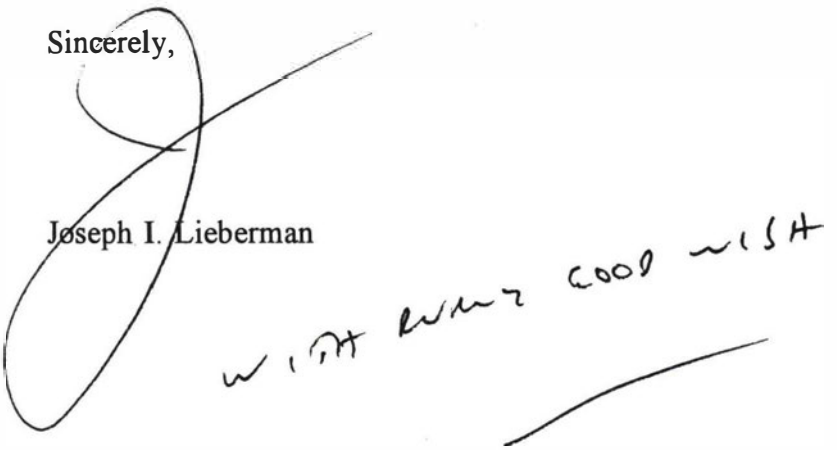
In spite of all of the talk of class warfare, I know you recognize that a capital gains cut is distinct from a cut in income taxes: we are not cutting income taxes for the wealthy, we are cutting the rate at which we tax people who are willing to invest their money in places where that investment has benefits for our overall economy. Additionally, it bears repeating that anyone with money in a mutual fund or with a stock purchase plan at their workplace has a stake in the capital gains debate. In 1994 alone, at least 310 large companies with over 8 million workers offered all of their employees the right to acquire company stock. Each of these workers and their spouses and their children stand to gain from a cut in the capital gains rate.

I believe that all three of these proposals are very much in keeping with your idea of encouraging citizens to act in the public interest as well as their own interest, through incentives, rather than through new and often duplicative social programs. I think these three

"enhancements" could be helpful in generating support in our party for a compromise that you are going to have to engineer. If you are interested, would be delighted to talk to you or your staff about them further as the process moves forward, if you are interested.

Sincerely,

Joseph I. Lieberman



J-
copy asap
to Cheryl
Mills

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
11-9-95

November 8, 1995

Mr. President:

Attached is a letter from Dr. Dean Ornish. I understand that HHS is very well aware of his application.

Todd Stern

THE PRESIDENT HAS SEEN
11.9.95

95 OCT 10 P5:59

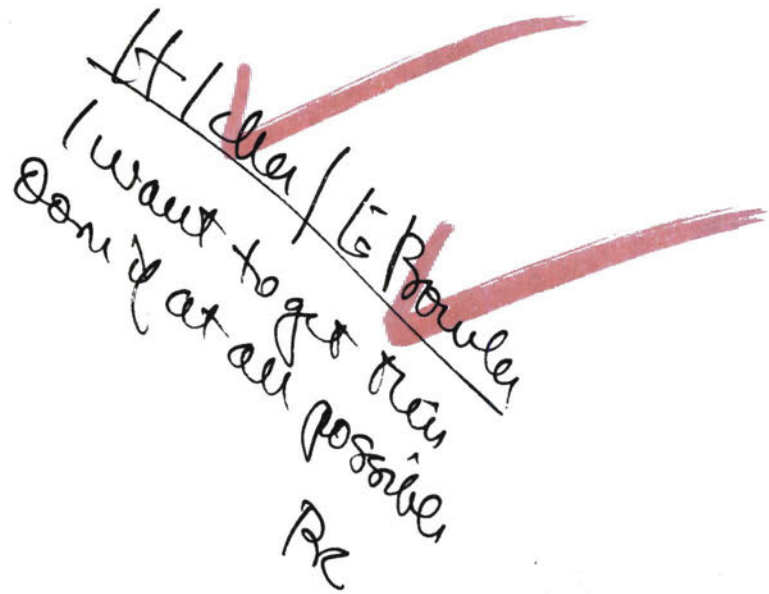
October 9, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Harold Ickes (HI)

SUBJECT: Dean Ornish's 21 September 1995 letter to you

Attached is the original of Dr. Ornish's 21 September 1995 letter to you. I have followed up with Bruce Vladeck of the Health Care Finance Administration as requested by Dr. Ornish.



PREVENTIVE MEDICINE RESEARCH INSTITUTE

Dean Ornish, M.D.
President & Director
900 Bridgeway, Suite 2
Sausalito, CA 94965
Tel. 415/332-2525
FAX 415/332-5730

September 21, 1995

President Clinton
The White House
Washington, DC 20500

Dear President Clinton,

Thank you very much for your interest in my work.

As you know, my colleagues and I at the non-profit Preventive Medicine Research Institute have demonstrated— for the first time— that the course of even **severe coronary heart disease can begin to reverse** in many patients by a program of comprehensive lifestyle changes, without coronary artery bypass surgery, angioplasty, or a lifetime of cholesterol-lowering drugs. These lifestyle changes include a very low-fat, low-cholesterol diet, stress management techniques, moderate exercise, smoking cessation, and psychosocial support.

Our research has been published in the leading medical journals, including *The Lancet*, *Circulation*, *The American Journal of Cardiology*, and others. Our five year research findings will be published tomorrow as the lead article in the *Journal of the American Medical Association*. CBS featured our research findings on Tuesday on the *CBS Evening News* and in an unusually long 30-minute segment yesterday morning on *CBS This Morning*.

Now, my colleagues and I have established a network of eight demonstration sites to determine if we can successfully train other health professionals in this lifestyle program and if they, in turn, can motivate their patients to make and maintain these lifestyle changes over time in a real-world setting. Also, we are learning that our program can be a much less costly alternative to coronary artery bypass surgery and coronary angioplasty.

These eight sites include Harvard Medical School and the Beth Israel Hospital in Boston, Immanuel Medical Center in Omaha, Mercy Hospital and the Iowa Heart Center in Des Moines, Broward General Hospital in Ft. Lauderdale, Richland Memorial Hospital in Columbia, SC, Scripps Clinic and Hospitals in La Jolla, Mt. Diablo Hospital in Concord, CA, and the Beth Israel Medical Center in New York City.

Data from these hospitals indicate that the program is working. Alexander Leaf, M.D., the former Chairman of Medicine at Harvard Medical School and later Chairman of Preventive Medicine and Clinical Epidemiology at Harvard is chairing our central data coordinating clinical research center, thereby providing the highest scientific credibility for our work.

Our program is not only medically effective but also cost-effective in significantly reducing health care expenditures. These savings are most clearly seen in the arena of cardiology, for in no other area are costs so high and the benefits of this program as well-documented. However, the benefits and cost savings extend beyond patients with heart disease.

In the past, lifestyle interventions have been viewed as increasing costs in the short run for a possible savings years later. In the new model we are studying, our program is offered as an alternative to many patients who otherwise would receive coronary artery bypass surgery or percutaneous transluminal coronary angioplasty, thereby resulting in an *immediate* and *substantial* cost savings.

For every patient who chooses our program rather than undergoing bypass surgery, approximately $50,500 are saved that otherwise would have been spent; much more when complications occur. (Of course, this does not include sparing the patient the trauma of having his or her chest and leg cut open.) Last year, at least $18 billion were spent on coronary bypass surgery in the U.S. Over $6 billion were spent on coronary angioplasty. Intensive lifestyle modification is much less costly.

Also, providing lifestyle changes as a direct alternative for patients who otherwise would receive coronary bypass surgery or coronary angioplasty may result in **significant *long-term* cost savings**. Despite the tremendous expense of bypass surgery and angioplasty, up to one-half of bypass grafts reocclude after only five to seven years, and 40% of angioplastied arteries restenose (clog up) after only four to six months, regardless of the method used. When this occurs, then coronary bypass surgery or coronary angioplasty is often repeated, thereby incurring additional costs.

Our program also results in a marked reduction in medication requirements (cholesterol-lowering drugs, anti-hypertensives, beta-blockers, calcium channel blockers, ACE inhibitors, nitrates, etc.). These medications ordinarily would be taken for a lifetime, so reducing or eliminating these medications saves significant amounts of money (cholesterol-lowering drugs often cost thousands of dollars per year per person) and empowers patients by reducing their dependency on these drugs. These medications have significant side-effects, both known and unknown.

Rather than the usual course of getting progressively worse over time, patients in our study who made comprehensive lifestyle changes got better and better overall. Within a few weeks, the patients in our research reported a 91 percent average reduction in the frequency of angina. Most of the patients became essentially pain-free, including those who had been unable to work or engage in daily activities due to severe chest pain. Within a month, we

measured increased blood flow to the heart and improvements in the heart's ability to pump. And within a year, even severely blocked coronary arteries began to improve in 82% of the patients.

Patients demonstrated even more reversal of heart disease after four years than after one year. These findings are giving many people new hope and new choices. In contrast, control-group patients who made only the moderate lifestyle recommended by most physicians worsened after one year and became even worse after four years.

Our work is based on the premise that addressing the underlying *causes* of a problem is ultimately more effective than addressing only its *symptoms*. Efforts to contain medical costs that do not address the more fundamental lifestyle choices that determine *why* people become sick— rather than literally or figuratively bypassing them— inevitably result in painful choices. This is as true for individual patients as it is with the health care system in general. However, these savings would occur only if patients who are trained in our lifestyle program adhere to it over time.

The missing link, therefore, are the data to demonstrate that patients will adhere to this lifestyle program. If patients do not adhere, costs would increase as insurers would end up paying for both lifestyle training and coronary artery bypass surgery or angioplasty.

Our current research and demonstration project are providing these data on adherence as well as data on medical effectiveness and cost-effectiveness. So far, adherence to our program has been remarkably high. Approximately 90% of patients who were told they needed a bypass or angioplasty have not needed one when they chose our program as an alternative. (One man with an ischemic cardiomyopathy who was on the heart transplant list improved sufficiently that he no longer needs transplantation, thereby saving at least $300,000 on that one patient.)

Kenneth McDonough, M.D. (until recently, the Senior Vice President and Medical Director of Mutual of Omaha) has calculated that in the first 95 patients, **approximately $5.55 were saved immediately for every dollar spent on this program.** These savings are not theoretical; these are real dollars that otherwise would have been spent on angioplasty or bypass surgery.

A number of forces are converging that now make this the right idea at the right time. As you know, there is intense interest at all levels in controlling health care costs. Efforts to contain costs have focused on shortening hospital stays, limiting reimbursement, shifting from inpatient to outpatient surgery, forcing doctors to see more and more patients in less and less time, capitation, etc., none of which addresses the more fundamental question of why people get sick.

Now that we are demonstrating the cost-effectiveness of our approach, several other insurance companies are now reimbursing the cost of our program at the hospitals we have trained. Recently, Blue Cross of California recently became the first major carrier to make our program available as a defined benefit for all qualified policyholders rather than on an experimental basis.

My colleagues and I have sent a proposal to the Health Care Financing Administration requesting Medicare coverage for eligible patients in these eight hospitals we have trained. If we demonstrate the cost-effectiveness of our program in the Medicare population, we will provide a new model for lowering Medicare costs without compromising the quality of care or access to care.

Last year, in August 1994, you kindly wrote a letter to Kathleen Buto of the Health Care Financing Administration supporting this application, and it was enormously helpful. I would be very grateful if a copy of that letter— or, even better, a new letter from you or one of your staff— could be sent to:

Bruce C. Vladeck, Ph.D.
Administrator
Health Care Financing Administration
Hubert H. Humphrey Building, Room 314-G
200 Independence Avenue, S.W.
Washington, DC 20201
202/690-6726
FAX: 202/690-6262

Medicare is scheduled to make a decision any day now, so a letter sent in the near future would be greatly appreciated.

This lifestyle program empowers the individual, immediately and substantially reduces health care costs while improving the quality of care, offers the information and tools that allow individuals to be responsible for their own health care choices and decisions, and provides access to quality, compassionate, and affordable health care to those who most need it while reducing governmental bureaucracy. For these reasons, the implications of our findings are of bipartisan interest. For example, Speaker Gingrich recently sent a letter to the Health Care Financing Administration in support of this application.

Thank you so much for your consideration. I can be reached at any time by paging me at 1-800-206-7555. In the meantime, please accept my sincere and heartfelt appreciation.

With best wishes and warm regards,

Sincerely,

Dean

Dean Ornish, M.D.

Tracking Plans to Cut Heart Risk

By JANE E. BRODY

If you are one of the millions of Americans trying to stop or reverse serious clogging of your coronary arteries, how do you know whether the changes you have made in your daily habits or the drugs you are taking to lower cholesterol are having the desired effect?

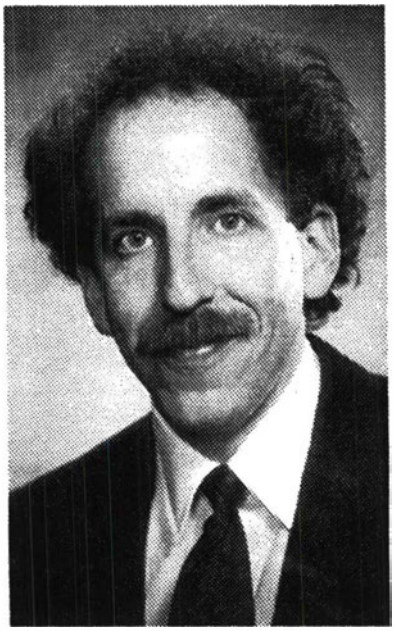
A new study, being published today in The Journal of the American Medical Association, has shown that a scanning technique now used mainly to assess problems in the brain can effectively measure blood flow to the heart and show whether behavioral changes or drug therapy or both have reduced a person's chances of suffering a heart attack.

If further studies confirm the finding, the technique may offer many coronary patients a safe way to avoid two costly and risky procedures: coronary bypass surgery to skirt clogged arteries or angioplasty to clean them out. If it can be shown that blood flows freely into the heart even under stress, then it may not be necessary to bypass even seriously blocked arteries. The study used positron emission tomography, or PET, scans to assess coronary blood flow before and after patients with serious coronary artery disease adopted habits intended to reverse atherosclerosis.

In the study, 20 patients followed an intensive regimen devised by Dr. Dean Ornish, director of the Preventive Medicine Research Institute in Sausalito, Calif. They consumed a strict vegetarian diet that derived less than 10 percent of its calories from fat, stopped smoking (if they were smokers), practiced stress management techniques like yoga and meditation for an hour a day and did mild to moderate aerobic exercise for three hours a week. The average participant lost 25 pounds, but no cholesterol-lowering drugs were taken. Progress as measured by a PET scan was compared with changes in a randomly selected comparison group of 15 heart patients who got standard care.

All but one who adhered to the Ornish program showed either improvement or no further deterioration in coronary blood flow over five years. Only 5 percent of the comparison group showed an improvement, and in 45 percent blood flow worsened; 50 percent showed no change.

However, some experts, including the lead author of the journal article, Dr. K. Lance Gould, say that such strict diets and time-consuming regimens are not essential to improving coronary circulation, especially if cholesterol-lowering drugs are also used to help curb arterial clogging.



Dr. Dean Ornish

Dr. Gould, a cardiologist at the University of Texas Medical School in Houston, said that at his institution, he combined cholesterol-lowering drugs and diet to stem the progress of atherosclerosis and help patients avoid bypass surgery. As with the Ornish regime, the one at the Texas center calls for getting only 10 percent of calories from fat and eating a lot of vegetables.

But the Gould diet is not vegetarian; patients can eat small amounts of lean fish and chicken. Also unlike the Ornish program, which derives 75 percent of its calories from carbohydrates, the Gould regimen is relatively low in carbohydrates like potatoes and rice. Dr. Gould said this is meant to help overweight patients lose weight and to counter the tendency, found in about a third of coronary patients, for carbohydrates to raise blood levels of heart-damaging triglycerides and reduce levels of protective H.D.L. cholesterol. He said this regimen also appears to have resulted in significant improvements in coronary blood flow.

Before starting the Ornish program, all patients in the current study had a PET scan and an angiogram, a test in which a tube is threaded into the heart and an X-ray picture is taken to measure the extent of clogging of the arteries that feed the heart. An angiogram is highly effective in assessing the extent of atherosclerosis, but cannot show how readily blood flows to the heart.

Dr. Ornish said in an interview that "the bottom line in heart disease is not how much arterial blockage there is but how much blood the heart gets." He said many factors besides the atherosclerosis measured by angiograms could influence coronary blood flow, among them the tendency for coronary arteries to go into spasm and the stickiness and thickness of the blood. These factors, in turn, can be adversely affected by nicotine, emotional stress, lack of exercise and a high-fat diet. Even a single high-fat meal can precipitate changes in blood flow that can result in a heart attack.

Regimens to slow or reverse atherosclerosis have thus far shown only relatively small improvements in the condition of coronary arteries. Yet many patients feel substantially better. Their ability to exercise without experiencing cardiac pain improves significantly and their risk of suffering a fatal or nonfatal heart attack seems to decline much more than would be expected based on the small changes in their coronary arteries.

Dr. Ornish said that small reversals in clogging of coronary arteries may result in much greater improvements in blood flow to the heart. Such improvements, he said, can be monitored by the PET scan and may show up in as few as three months, providing an incentive to patients who might otherwise have to wait a year to see changes on an angiogram. Unlike angiograms, PET scans do not involve an "invasion" of the body aside from intravenous injection of a radioactive tracer and the use of a drug that speeds up coronary blood flow to simulate the effect of strenuous exercise, Dr. Gould said.

Dr. Gould, who refined the method of assessing coronary blood flow and performed the PET scans on participants in the study, said PET scans cost much less and could be repeated much more often than angiograms. Each scan takes about one and a half to two hours and can be done on an outpatient basis. As an added benefit, the total cost of a PET scan is about $2,200 as opposed to $8,000 to $10,000 for an angiogram. There are now only about three dozen PET scanners in the United States. But Dr. Gould predicted their number would increase as the technique's usefulness in assessing coronary ailments became more widely appreciated.

NEWSWEEK 6/26/95

Going Mainstream

Health: Insurance companies have never been big on herbs or homeopathy, and most would rather pay for a course of medication than a course in meditation. But economics could change all that.

WHEN A ROUTINE PAP SMEAR showed that precancerous cells were flourishing on Liane Buchanan's cervix, her gynecologist didn't want to waste any time. He suggested cauterizing the affected tissue immediately, to keep the condition from advancing. The 36-year-old San Francisco office worker says she'll go that route if necessary, but not before exploring the alternatives. Since early May, Buchanan has made biweekly visits to a naturopath, who swabs her cervix with an enzyme called bromelain in hopes of breaking down the abnormal cells. Between visits, she takes vaginal suppositories loaded with vitamin A, zinc chloride and an herb called bloodroot. Hoping to strengthen her immune system, she also drinks an herbal tincture rich in thuja, hydrastis and ligusticum. Buchanan's approach to health is nothing new; fully a third of all Americans pursue some kind of alternative care each year, according to a 1993 Harvard study. What's new is that Buchanan's insurance company is footing the bill.

After years of suspicion and hostility, some health insurers are discovering that nontraditional medicine can save them money. Staid giants like Mutual of Omaha are covering chiropractic care (most states leave them no choice). Prudential now pays for acupuncture. The Seattle-based Group Health Cooperative of Puget Sound will soon cover midwife-assisted home births. And a handful of adventurous networks are offering people everything from herbs to homeopathy for minor ailments. Skeptics worry that the new permissiveness could hurt consumers by encouraging useless or even dangerous medical practices. But the current trend would be hard to reverse. People like Liane Buchanan represent a huge potential market—and as the insurance industry is now discovering, it doesn't cost much to give them what they want. As one HMO executive puts it, "Three visits to a chiropractor are a lot less expensive than an MRI or back surgery."

No one has done more to advance the trend than Dr. Dean Ornish, founder and director of the Preventive Medicine Research Institute in Sausalito, Calif. Two years ago, after Ornish published data showing that a lifestyle-based regimen could not only prevent heart disease but *reverse* it—without drugs or surgery—Mutual of Omaha agreed to finance a five-year study in which several hundred subscribers would try his $5,500 program as an alternative to more invasive treatment. Instead of reporting to hospitals for $15,000 angioplasties or $40,000 bypass operations, 200 volunteers have since immersed themselves in a structured, yearlong effort involving exercise, meditation, group support and a strict vegetarian diet.

Low-tech program: At the start of the study, critics predicted that patients would abandon the regimen, saddling the company with hospital bills on top of Ornish's fees. But 95 percent of the participants have stuck with Ornish's low-tech program, and only one has required surgery. Mutual of Omaha estimates it has already saved $6.50 for every dollar it has spent. And because heart patients often require repeated operations over the years, company officials say Ornish's approach could eventually save them up to $20 on the dollar. Fifteen other insurance companies are now trying Ornish's program—and hospitals around the country are sending teams to Sausalito to learn how to administer it. Frank Sebron isn't surprised. When the 50-year-old Nebraska policeman started the Ornish program in late 1993, he'd been through angioplasty and was taking two drugs at a cost of $214 a month. He was still too sick to chop wood. Today, his arteries are nearly clear, his cholesterol is down and his diversions include long-distance bicycling. The cardiologist who used to talk about buying Sebron some time now tells him, "We'll grow old together."

Ornish's program has won such broad acceptance that it hardly qualifies as alternative anymore. But the trend doesn't stop there. Sharp Health Plan, a 16,000-member HMO in southern California, now offers subscribers an eight-session wellness course designed by Dr. Deepak Chopra, the best-selling author and ubiquitous promoter of India's ayurvedic healing system. And other insurers are creating entire benefit packages for people interested in alternative care. The most ambitious of these plans—known as Prevention Plus and Wellness 2—were launched two years ago by American Western Life (the company that insures Liane Buchanan) and now boast several thousand subscribers in five Western states. Members pay what they would for a standard, managed-care plan,

Hot items: *Will patients who need drugs or surgery get unproven remedies instead?*

and they get the same access to MDs and hospitals. But their choice of primary-care physicians includes naturopaths and other non-MDs. And for specialized care, they can turn not only to neurologists and cardiologists but to experts in reflexology (a healing system based on foot massage), rolfing (which stresses body alignment) and other unconventional practices. Members even qualify for mail-order discounts on shark cartilage (which enthusiasts take in the hope of warding off cancer) and echinacea (a flower thought to boost the immune system) from the company's Purple Coneflower health-food store in Foster City, Calif.

When American Western Life (AWL) launched its new plans, it was trying to control an epidemic of costly, unnecessary treatment. During the previous decade, doctor visits and drug prescriptions had increased roughly fivefold. Hospital stays—many of them prompted by adverse reactions to prescription drugs—had surged just as dramatically. Besides offering lower-tech treatment options, the new plans force every enrollee to work with a physician to identify personal risk factors (smoking, stress, obesity) and to devise strategies for managing them. Participants also agree to call a hot line for advice on self-care before scheduling office visits with any provider. The impact is already evident. Last year 77 percent of the hot line's 5,600 calls came from people who expected to schedule office visits, but only 55 percent ended up requiring them.

The danger, of course, is that people who need medication or surgery will get garlic oil instead. Promoting wellness is one thing, says Dr. John Renner of the National Council on Health Fraud, but steering people to unproven therapies is quite another. Most companies still refuse to pay for treatments they deem experimental, and those that offer unconventional care usually charge extra for it, reasoning that rolfing and reflexology should *complement* standard treatment, not replace it. AWL's alternative practitioners are the first to concede that they don't have all the answers. If a child has an earache and a 104-degree fever, says naturopath Nancy Welliver, that child will get antibiotics, not herbs. Yet Renner is probably right to worry. As insurance companies race to cut costly services—and to embrace what's cheap and popular—the standard of care could decline. Few experts would quarrel with Liane Buchanan's decision to try herbs and enzymes before resorting to surgery. Unfortunately, the margin for error isn't always so wide.

GEOFFREY COWLEY *with* PATRICIA KING *and* MARY HAGER *in San Francisco and* DEBRA ROSENBERG *in Boston*

Body, Mind and Pocketbook

Their benefit may be unproven, but alternative treatments can be cheaper than traditional treatment. Here are some price comparisons:

CONDITION	CONVENTIONAL TREATMENT	ALTERNATIVE TREATMENT
Heart disease	Bypass surgery $30,000 to $40,000	1 yr. diet and exercise classes $5,500
Gout	Benemid $30.60 for 100 capsules	Vitamin C and cherry juice $8.50 for 90 capsules
Migraine	D.H.E. 45 $10.26 per injection	Feverfew $8.95 for 60 capsules
Middle-ear infection	Full course of Ceclor $65.00	Warm garlic oil $3.75
Hay fever	Decongestant Seldane $103.80 for 100 capsules	Freeze-dried nettles $9.50 for 90 capsules

ALL PRODUCT PRICES ARE WHOLESALE

PHOTOGRAPH BY TOM HAYNES

INTEGRATION

COLOR BAR FELL 1 SEASON BEFORE BASEBALL'S DID, 1C

▶ PEERS CONFRONT DALLAS' JERRY JONES; Focus, 1,3C

▶ FOOTBALL, AFC STATS, 8-10C

YANKEES RAIN ON BOSTON PARADE AGAIN

WIN OVER TORONTO KEEPS RED SOX FROM CROWN, 1C

▶ BASEBALL RESULTS, 1,4-7C

USA TODAY

NO. 1 IN THE USA . . . FIRST IN DAILY READERS

Y, SEPTEMBER 20, 1995

WSLINE

E NEWS

ET: Dow Jones industrial average falls .04; Nasdaq index rises 10.14 to 1060.32; ond yield drops to 6.48%. 1,3B.

MARILYN: Surf pounds mid-Atlantcy centers open on St. Thomas in U.S. re 80% of buildings are damaged. 3A.

AN GOLD': Computer chips are hot lost more than $8 billion last year to uld hit $200 billion by the year 2000. 1B.

N: TV trial cameras and audio are shut off as mob-informant Fiato brothers take stand for defense, which tries to show Detective Philip Vannatter, left, lied about when he considered Simpson a suspect. 2A.

HIJACKING: Airline flight attendant surrenders after highjacking plane from Tehran that eventually lands in Israel. 9A.

RAPE APOLOGY: With three U.S. servicemen accused of raping an Okinawa, Japan, schoolgirl, U.S. ambassador and top commander issue apology. 9A.

HER DIES: King of popcorn, Orville in his California apartment. The agricul- developed lighter, hybrid popping corn vertising icon in a bow tie, was 88. 2B.

SA: About 43 million foreign travelers SA this year, compared to peak of 47.3 ys U.S. Travel and Tourism Administra- ions causing increased competition. 1D.

PLAY: Catching up with our Class of rade, they're learning about community yment. Education. 6-7D.

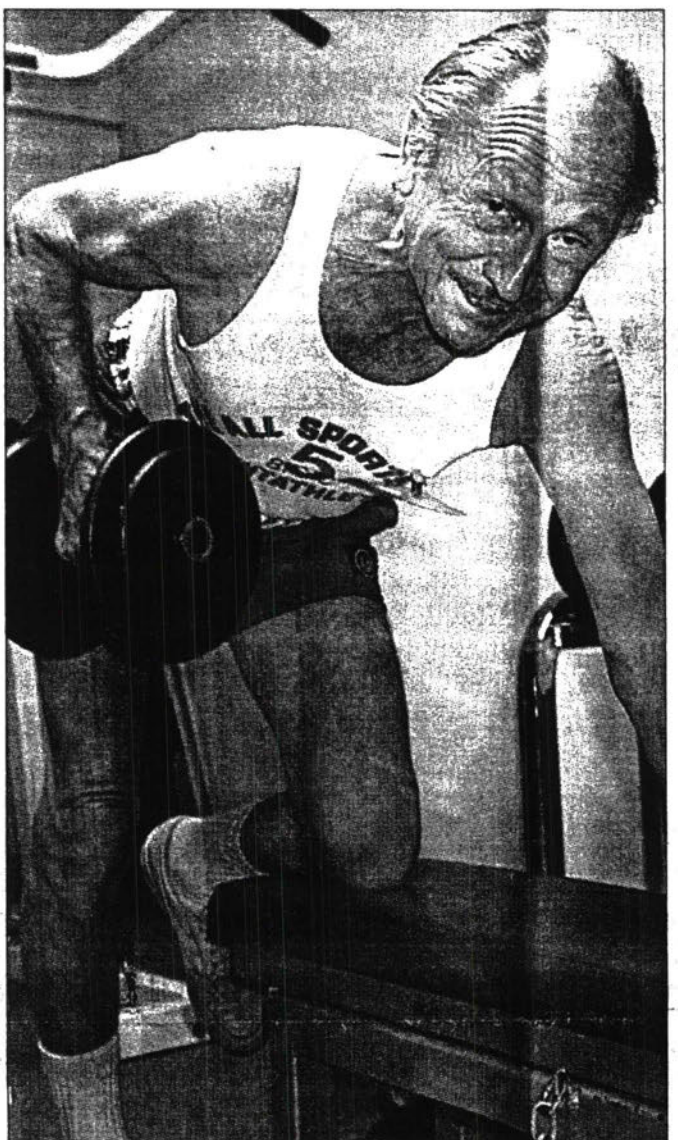
EBATE: Tobacco sponsorship. In USA "FDA's goal is admirable, but its meth- Banning free speech is a no-no." 10A.

pidemic of lung cancer from taking new ort the Clinton administration for stand- co cartel — for the health of everyone," erner. 10A.

Senate revamps

BYPASSING HEART SURGERY

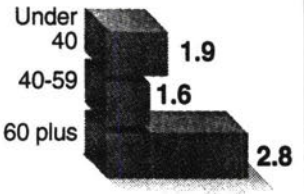
Changes in diet do slow or reverse disease



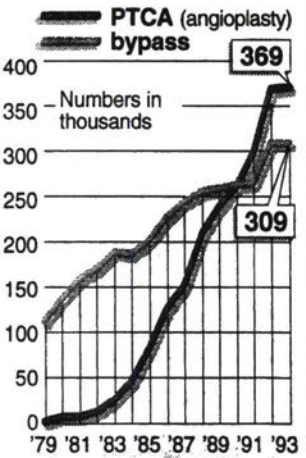
GOING STRONG: Victor Karpenko, 73, of Danville, Calif., works out in his gym. 'I'm tireless from following this regimen.' Diet and exercise helped him to avoid heart bypass surgery.

Prevalence of coronary heart disease by age:

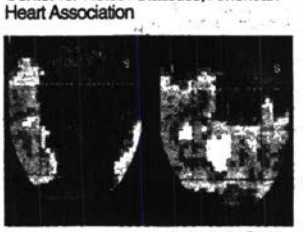
In millions, '91 estimate



Heart procedures



Sources: National Health and Nutrition Examination Survey 1976-80, National Center for Health Statistics, American Heart Association



BETTER BLOOD FLOW: Victor Karpenko's arteries before lifestyle changes, left, and after, right.

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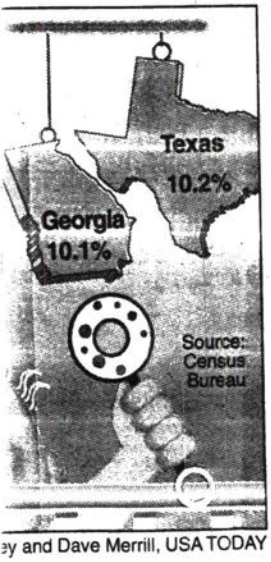

ey and Dave Merrill, USA TODAY

Advance on Serb town may halt

By Lee Michael Katz
USA TODAY

Bosnian Muslim and Croatian forces gave a "direct indication" Tuesday they would stop their offensive short of the Bosnian Serb city of Banja Luka, a move that could improve Balkan peace prospects.

Croatian and Muslim troops were within 10 miles of the city Tuesday, U.N. officials said, sparking fear they would capture Banja Luka and create up to 200,000 Serb refugees. Many have already fled the city.

There was also concern that, should Banja Luka fall to the Croat-Muslim coalition, neighboring Serbia would enter the war with the Yugoslav army to aid its Bosnian Serb kin.

Under a final NATO deadline, Bosnian Serbs have until 10 p.m. ET tonight to withdraw all their heavy weapons at least 12.5 miles outside of the Sarajevo capital or face resumption of NATO airstrikes.

"There has to be complete compliance," said the State Department's Nick Burns. "This is a critical time, a testing period for peace."

NATO suspended airstrikes Thursday after two weeks of punitive bombing to give Bosnian Serbs a chance to fulfill their promise to withdraw heavy weaponry, Burns said.

But Croatian President Franjo Tudjman and Bosnian President Alija Izetbegovic gave U.S. peace envoy Richard Holbrooke "a very direct indication they intend not to continue their military operation toward Banja Luka," Burns said.

Croat-Muslim troops have made huge military gains recently, giving them more than the 51% of the country outlined in the U.S.-backed peace plan.

COVER STORY

Patient calls Ornish program 'miraculous'

By Tim Friend
USA TODAY

DEAN ORNISH: Very low-fat diet, meditation, exercise key to program

At least half of the men and women waiting to have bypass surgery or angioplasty today could escape their hospital rooms and never look back.

A landmark study shows that only small decreases in the size of coronary artery blockages are needed to restore blood flow to the heart.

That means many patients — if willing to make tough sacrifices involving diet and exercise — can stop or reverse their own heart disease, the USA's leading killer.

The new finding, out today in the *Journal of the American Medical Association*, proves for the first time that blocked arteries can be opened enough to avoid surgery when patients adhere to a low-fat diet, stop smoking, lose weight, exercise and reduce stress, says Dean Ornish of the Preventive Medicine Research Institute in Sausalito, Calif.

But his program is not easy. It involves eating a 10%-fat diet — no meat, no fish, no chicken, no nuts. It also requires practicing meditation and stress-reducing techniques based

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By Deirdre Donahue
USA TODAY

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Some popular kids TV based on 'si

By Alan Bash
USA TODAY

Some of the most popular Saturday morning kids shows contain "sinister combat violence" and pose more concern than most prime-time series, a new study finds.

"It's a worrisome trend," says UCLA's Jeffrey Cole, who studied 1994-95 shows at the request of ABC, CBS, NBC, Fox and Congress for the first of planned annual reports.

The survey finds cartoons such as *The Bugs and Tweety Show*, "while occasionally mean-spirited," aren't meant "to be taken seriously by viewers no matter what age."

The real problem: series like *Mighty Morphin Power Rangers*, *X-Men*, *Skeleton Warriors* and others where "fighting is what the shows are about."

Power Rangers cor
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horrible, and no one is
hurt by it," the study says
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Broadcast TV gets
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COVER STORY

Initial study was greeted by skepticism

Continued from 1A

on yoga, exercising a minimum of an hour three times a week and participating in group support sessions.

In the study, which tested the program in 48 patients, Ornish and former skeptic K. Lance Gould, University of Texas Medical School, Houston, used high-tech imaging techniques to show changes in heart artery blockages over four years.

"The results show with cholesterol-lowering and a low-fat diet, blood flow improves in patients, and in the control group it gets worse," says Gould. "I see a lot of patients who've been told they need surgery to save their lives, but they would do just as well with reversal treatment. That doesn't make me too popular, but that's what the science says."

Other key studies since the 1980s also show small decreases in blockages can be achieved by combining lifestyle changes with daily doses of cholesterol-lowering drugs.

When Ornish's study is taken in context with those of cholesterol-lowering drugs, experts estimate anywhere from 40% to 90% of people with heart disease may avoid or at least delay surgery or angioplasty.

"We found a strong correlation between adherence and outcome: The more people changed, the better they got," says Ornish, whose study began in 1986. "It wasn't a function of how old ... or how sick they were (but) primarily a function of how much they changed their lifestyle."

The diet and lifestyle changes made by patients in the new study were developed by Ornish, who has converted thousands of heart bypass surgery candidates into vegetarian, yoga-practicing health enthusiasts.

Victor Karpenko opted for Ornish's method 10 years ago after his doctor told him he needed bypass surgery. His chest pain disappeared in a month. Today he hikes and climbs the equivalent of 130 floors on the Stairmaster three days a week.

"It's such a miraculous change in my physical condition from not being able to walk to going to the High Sierras at 8,000 feet with 45 pounds on my back. I'm tireless from following this regimen," says Karpenko, 73, of Danville, Calif.

The changes in Karpenko's heart are the focus of the new *JAMA* study — and of excitement among experts.

"Dean has done a remarkable job," says Daniel Steinberg of the University of California, San Diego, who led the effort in the early '80s to get people to lower their cholesterol.

"He uses his powers of persuasion to do what we would all like to see done. It is very hard to get people to be as Spartan as that," he says.

But Steinberg says it's unclear whether all of the components of Ornish's program are necessary to reverse blockages. So far, scientists believe the most important aspect is lowering cholesterol dramatically.

Still, if patients can be motivated to make the additional lifestyle changes, they clearly benefit.

"This is a beautiful demonstration of the synergy with which you can attack (heart disease) on all fronts, and a beautiful example of how physicians should do it," Steinberg says.

Ornish's program is taught in retreats operated by his non-profit institute. It also is the subject of his best-selling books, *Dr. Dean Ornish's Program for Reversing Heart Disease* and *Eat More Weigh Less.*

In 1990, Ornish and Gould first published a study showing that, after one year, 82% of patients who adhered to Ornish's regimen had arteries that showed some reversal or change in their blockages. Patients in a control group, who followed American Heart Association guidelines of a 30%-fat diet, got worse.

The study captured the attention of the medical community and was immediately controversial. It contained only a small number of patients, so doctors said the findings might not bear up in a larger study. Doctors also argued that patients would never go along with the diet and lifestyle changes necessary to reverse heart disease.

By 1992, however, the program caught the eye of Ken McDonough, then medical director at the Mutual of Omaha insurance company.

With bypass procedures costing $50,000 each, Ornish's program at $5,000 to $6,000 per patient appeared to offer an economic alternative.

A pilot program to test it in the real world was begun at Immanuel Medical Center in Omaha and the insurer agreed to pay the bills.

Mutual of Omaha found that of the patients motivated enough to try the program, 90% stuck with it. And of those patients, bypass surgery and angioplasty was avoided in 75% to 80%. The insurer saved $5 for every $1 spent on Ornish's program.

Meanwhile, Gould has developed his own program that combines a 10% low-fat diet with cholesterol-lowering drugs. (Ornish does prescribe drugs for some patients.)

Says Gould: It's "both life-saving and contributes to symptom-free activity and that's a real advance."

Antonio Gotto, chairman of medicine at Baylor Medical College, is conducting a new study with Gould to determine its effectiveness.

But Gotto says the current research is important. "They got a lot of bang for a little buck, a lot of change in blood flow to the heart muscle. But can this kind of program be exported and used widely? It's a lot more complicated than taking a pill or following a moderate diet."

Last month, Blue Cross and Blue Shield of California accepted the program as a standard benefit at hospitals where it is available.

B. Greg Brown, University of Washington, who led one of the landmark studies of cholesterol-lowering drugs, says regardless of which method is used, anything that cuts cholesterol significantly is effective.

Patients can be dramatically helped "without any side effects, really. This puts the convincing nail in the coffin" of heart disease.

HEART SMART DIET

Foods to avoid: Meats, chicken and fish; oils (all kinds); avocados; olives; nuts and seeds; dairy products (except non-fat), including whole milk, yogurt, butter, cheese, egg yolks, cream; sugar and simple sugar derivatives (honey, molasses, corn syrup); alcohol. Any commercial product with more than 2 grams of fat per serving.

Good foods: Beans, legumes (lentils, kidney beans, peas, soybeans, garbanzos); fruits; grains (corn, rice, oats, wheat, barley); vegetables.

Foods in moderation: Non-fat dairy (skim milk, non-fat yogurt and cheeses, egg whites); non-fat or very low-fat commercial products (whole-grain breakfast cereals, Life Choice frozen dinners, Health Valley chili, Kraft Free non-fat mayo, Guiltless Gourmet tortilla chips, Quaker Oats oatmeal, Pritikin soups, Haagen-Dazs frozen yogurt bars.

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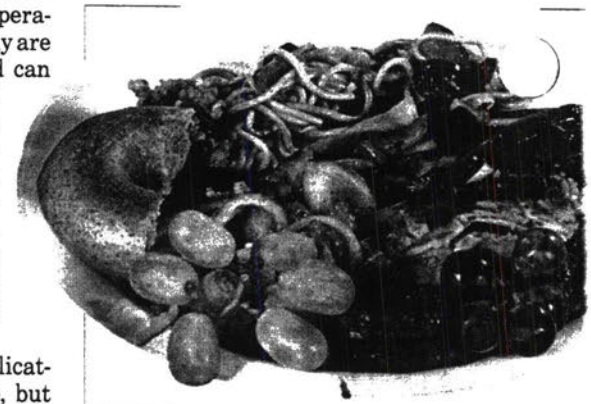
HEALTH

A New Menu to Heal the Heart

A yearlong study proves that diet, exercise and stress reduction can open arteries and save lives



Like 40 million other Americans, Robert Royall has heart disease. Back in 1986 Royall, then 49, learned that one of his coronary arteries was 37 percent blocked, seriously impeding the blood flow to his heart. On his doctor's advice he began following the regimen recommended by the American Heart Association: he reduced the fat in his diet to 30 percent of total calories, cut his dietary cholesterol to 300 mg a day and started exercising. A year later the blockage had increased to 77 percent. So Royall took more drastic measures. He enrolled in a research program run by Dr. Dean Ornish of the University of California, San Francisco, that demanded he adopt a new way of life. His new diet was almost entirely vegetarian with a third as much fat as the AHA recommended. Along with regular exercise, he practiced stress-reduction techniques, including meditation. A year later the blockage in his artery had been reduced to 59 percent, while blood flow through the artery had nearly tripled. By the standards of conventional medicine, the impossible had happened.

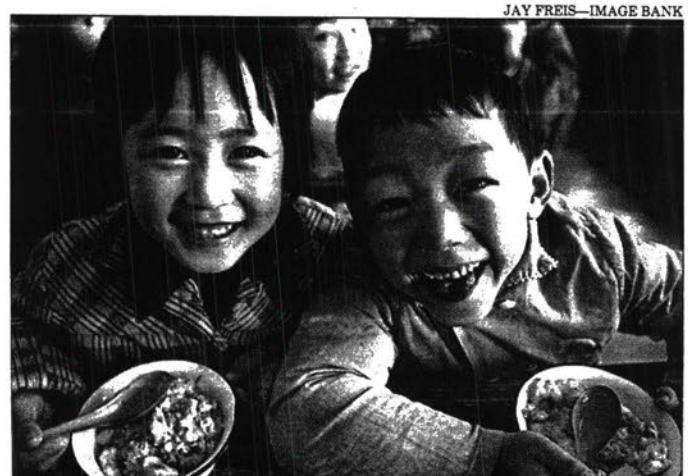
Heart disease kills more Americans than all other causes of death combined. Surgical advances have helped to keep many patients alive, and drugs—with their unpleasant side effects—can actually heal clogged arteries. But until this week, there has been no published scientific evidence to confirm the belief that one could reverse heart disease strictly through changes in lifestyle. The current edition of the British medical journal, The Lancet, contains the revolutionary results of a yearlong experiment conducted by Ornish and his colleagues—the program that opened Royall's artery. Most Americans would look glumly on a future containing more yoga than ice cream, but Ornish's patients are thriving. At the very least his research should prompt a critical new look at the AHA's widely recommended guidelines. If his patients continue to do well, Ornish's work could change the lives of millions.

Even as a medical student at Baylor College of Medicine in Texas, Ornish wondered why doctors considered it standard practice to bypass blocked arteries—literally—rather than attack the causes of heart disease. In a coronary bypass operation, vessels from elsewhere in the body are grafted onto the heart so that blood can circumvent an artery clogged with cholesterol and other deposits. In many cases, however, the new arteries themselves become blocked. With angioplasty, a surgical technique popular since the mid-'80s, a small balloon is inflated in the artery, pushing aside the deposits to permit the flow of blood. But clogging often recurs after angioplasty, too.

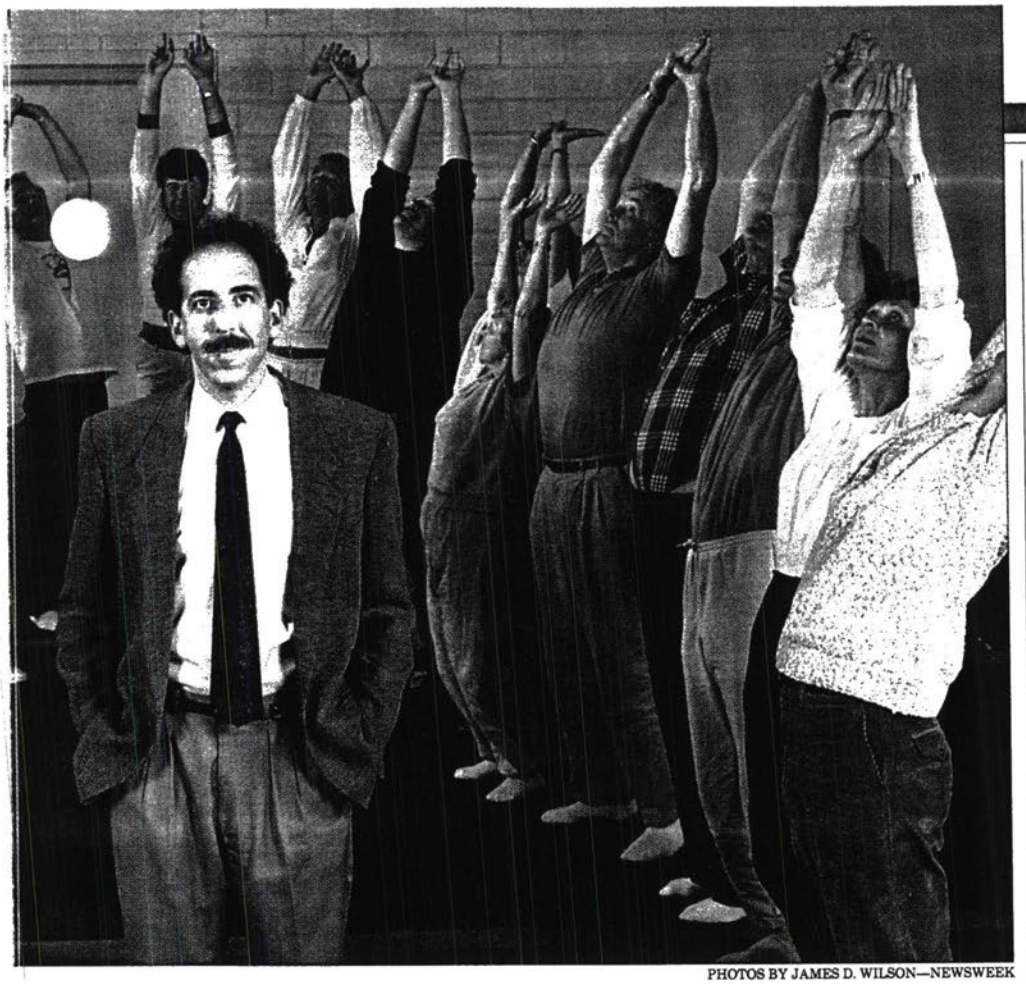
Lifestyle factors had long been implicated in the incidence of heart disease, but Ornish found that diet, exercise and stress reduction were being tried on a piecemeal basis only. No researcher had put them all together in a single experiment and measured the effects on the heart. Ornish decided to do just that, on the theory that if people could benefit from one major change in their lives, they could benefit even more by making several.

Forty-eight volunteers participated in the San Francisco-based study. All were patients with severe heart disease, and most had decided against surgery. Ornish divided them randomly into two groups: 28 were put on his experimental regimen, and 20 became a control group, receiving standard medical care and following the AHA recommendations in order to provide a base of comparison. The Ornish group adopted a near-vegetarian diet; the on' animal products they could e. were egg whites and one cup daily of nonfat milk or yogurt. They reduced fat intake to 10

JAY FREIS—IMAGE BANK



Asian dishes: *A boon to health*



PHOTOS BY JAMES D. WILSON—NEWSWEEK

What's for Dinner?

The virtues of a low-fat diet have been widely publicized for years. Now Americans have to decide which version of that diet will do them the most good.

Heart Association Diet

The AHA recommends no more than 30 percent of total calories from fat and only 300 mg of cholesterol daily. That means less red meat, more fish and chicken, and low or nonfat dairy products.

Dean Ornish's Diet

Ornish (above, with patients) cuts fat to 10 percent of total calories and cholesterol to 5 mg. The diet consists mostly of fruit, vegetables and grains. Healthy folks can modify the diet if their cholesterol stays at 150.

percent of total calories and cholesterol to 5 mg a day (the amount in half a tablespoon of light cream). They eliminated caffeine altogether, and those who wished to drink were permitted only two ounces of alcohol a day. To control stress they meditated, did stretching exercises and practiced other relaxation strategies derived from yoga. They spent a minimum of 30 minutes three times a week exercising, usually walking, and met as a support group twice a week.

At the end of a year, most of the experimental group reported that their chest pains had virtually disappeared; for 82 percent of the patients, arterial clogging had reversed. Those who were sickest at the start of the program actually showed the most improvement on the regimen. Compared with the findings from the control group, the results from the experimental group seem even more dramatic. The patients receiving standard care reported an increase in chest pain, and their arterial blockage worsened. Ornish's conclusion: "Conventional recommendations don't seem to go far enough. Dietary changes and a 30 percent fat diet may help prevent heart disease in some people, but it may not be enough to reverse blockage."

Surprisingly, changes in blood cholesterol were not as closely linked to changes in the arteries as conventional medicine would have it. Ornish once had thought that a patient's arteries would not begin healing until blood cholesterol levels dropped below 180 (200 is considered by most doctors the upper limit for good health). "I was wrong," he says. "Cholesterol is important, but it's not the whole story." As long as his patients stuck with the overall program, their arteries improved. Robert Royall, who suffers from unusually high cholesterol owing to a genetic condition, saw his cholesterol drop from 360 to about 250 on the program. Even so, Ornish was on the verge of prescribing a cholesterol-lowering drug—until he saw the dramatic change in Royall's arteries.

Should the Ornish regimen be the treatment of choice for heart disease? A growing number of doctors already advocate Ornish's principles. "To look to physicians for medicines and magic treatment isn't the only answer," says Dr. Kerry Stewart, assistant professor of medicine at Johns Hopkins School of Medicine. On the other hand the medical profession is notoriously conservative, and many physicians will wait to see further research. Dr. Basil Rifkind of the National Heart, Lung and Blood Institute notes that Ornish's is the first controlled clinical trial to show these results.

New lives: Meanwhile, Ornish's patients are thrilled with their new lives. Werner Hebenstreit, 75, a retired businessman, is the oldest in the group; when he joined the program he could barely cross the street without chest pains. "Now I can hike for six hours in the Grand Tetons at 8,000 feet," he says. Don Vaupel Jr., 51, a coordinator of graduate studies in psychology at the University of San Francisco, says he used to be fat, sedentary and angry. Now he's lost 14 inches around the waist and 82 pounds—an achievement the Beverly Hills Diet, Weight Watchers, Overeaters Anonymous and his own cayenne pepper-and-lemonade diet couldn't match.

Group meetings, with gala low-fat buffets prepared by a resident chef, help keep the participants enthusiastic. But the real incentive to continue is the fact that they started to feel better almost immediately, and today they feel great. Ornish thinks even people who aren't sick will feel better on his program—and avoid heart disease. "Knowing what we know now, I think heart disease can be prevented for a vast majority of Americans without a new drug or breakthrough," he says.

This fall Random House will publish "Dr. Dean Ornish's Program for Reversing Heart Disease," in which Ornish sets out in detail the science, philosophy and especially the diet behind his patients' success. With its bountiful grains and vegetables, limited protein and scant animal food, the diet is highly un-American. In fact it's more like the traditional diet of all those countries, including China and Japan, where heart disease is rare. The average American may find it hard to pass up a cheeseburger in favor of a jicama-cucumber salad. But the average American, notes Ornish, is in line for a heart attack.

LAURA SHAPIRO *with* MARY HAGER
in Washington and NADINE JOSEPH
in San Francisco

Changes in Myocardial Perfusion Abnormalities by Positron Emission Tomography After Long-term, Intense Risk Factor Modification

K. Lance Gould, MD; Dean Ornish, MD; Larry Scherwitz, PhD; Shirley Brown, MD; R. Patterson Edens, PhD; Mary Jane Hess, RN; Nizar Mullani; Leonard Bolomey; Frank Dobbs, PhD; William T. Armstrong, MD; Terri Merritt, MS; Thomas Ports, MD; Stephen Sparler, MA; James Billings, PhD

Objective.—To quantify changes in size and severity of myocardial perfusion abnormalities by positron emission tomography (PET) in patients with coronary artery disease after 5 years of risk factor modification.

Design.—Randomized controlled trial.

Setting.—Outpatient community setting.

Intervention.—Randomization of patients to risk factor modification consisting of very low-fat vegetarian diet, mild to moderate exercise, stress management, and group support (experimental group, n=20) or to usual care by their own physicians, consisting principally of antianginal therapy (control group, n=15).

Main Outcome Measures.—Quantitative coronary arteriography and PET at baseline and 5 years after randomization. Automated, objective measures of size and severity of perfusion abnormalities on rest-dipyridamole PET images and of stenosis severity on arteriograms were made by computer algorithms.

Results.—Size and severity of perfusion abnormalities on dipyridamole PET images decreased (improved) after risk factor modification in the experimental group compared with an increase (worsening) of size and severity in controls. The percentage of left ventricle perfusion abnormalities outside 2.5 SDs of those of normal persons (based on 20 disease-free individuals) on the dipyridamole PET image of normalized counts worsened in controls (mean±SE, +10.3%±5.6%) and improved in the experimental group (mean±SE, −5.1%±4.8%) (P=.02); the percentage of left ventricle with activity less than 60% of the maximum activity on the dipyridamole PET image of normalized counts worsened in controls (+13.5%± 3.8%) and improved in the experimental group (−4.2%±3.8%) (P=.002); and the myocardial quadrant on the PET image with the lowest average activity expressed as a percentage of maximum activity worsened in controls (−8.8%±2.3%) and improved in the experimental group (+4.9%±3.3%) (P=.001). The size and severity of perfusion abnormalities on resting PET images were also significantly improved in the experimental group as compared with controls. The relative magnitude of changes in size and severity of PET perfusion abnormalities was comparable to or greater than the magnitude of changes in percent diameter stenosis, absolute stenosis lumen area, or stenosis flow reserve documented by quantitative coronary arteriography.

Conclusions.—Modest regression of coronary artery stenoses after risk factor modification is associated with decreased size and severity of perfusion abnormalities on rest-dipyridamole PET images. Progression or regression of coronary artery disease can be followed noninvasively by dipyridamole PET reflecting the integrated flow capacity of the entire coronary arterial circulation.

(*JAMA*. 1995;274:894-901)

LIPID-LOWERING trials in patients with coronary atherosclerosis have demonstrated no progression or partial regression of coronary artery stenoses by coronary arteriography compared with progression of stenosis severity in controls treated with standard therapy.[1-24] However, these regression trials share several common limitations, including the following: the degree of regression was anatomically modest, being 5% to 10% diameter stenosis units; percent diameter stenosis is poorly related to flow capacity of coronary arteries or coronary flow reserve[4,25-32]; progression or regression of coronary artery stenoses may be associated with complex shape changes or remodeling,[4] in which the integrated hemodynamic effects of percent narrowing, absolute arterial lumen area, and length are not accounted for by any single geometric dimension such as percent stenosis[4,25-32]; and quantifying single focal stenoses on coronary arteriograms does not account for multiple stenoses, diffuse atherosclerosis, or the associated vasomotor abnormalities frequently present[33-35] and therefore does not reflect the perfusion capacity of the entire integrated coronary arterial circulation affected by atherosclerosis.

Although several lipid-lowering trials have demonstrated only modest reduction in percent diameter narrowing in treated vs control groups, these studies have reported a proportionately greater decrease in cardiac events in treated groups.* In view of current widespread interest in the noninvasive management of coronary atherosclerosis by cholesterol-lowering drugs, diet, exercise, and behavioral interventions, the potential impact of these trials on clinical practice is substantial, but data on changes in

From the Department of Medicine (Drs Gould, Edens, and Dobbs and Messrs Mullani and Bolomey) and the Positron Diagnostic and Research Center (Ms Hess) of the University of Texas Medical School at Houston; the Preventive Medicine Research Institute, Sausalito, Calif (Drs Ornish, Scherwitz, and Billings, Ms Merritt, and Mr Sparler); California Pacific Medical Center, San Francisco (Drs Ornish and Armstrong); and the University of California at San Francisco (Drs Ornish, Brown, and Ports).

Reprint requests to Division of Cardiology, Room 4.258MSB, 6431 Fannin, University of Texas Medical School at Houston, Houston, TX 77030 (Dr Gould).

*References 2, 5, 11, 14, 15, 17-19, 22, 24.

myocardial perfusion abnormalities corresponding to the observed arteriographic changes are lacking. Accordingly, we measured the size and severity of myocardial perfusion abnormalities by positron emission tomography (PET) at rest and after dipyridamole stress at baseline and at an average follow-up of 5 years in patients with coronary artery disease (CAD) randomized to the control group or to the experimental group undergoing intense risk factor modification.

METHODS

Study Patients

Patients selected for participation in the risk modification program were men and women, 41 to 70 years old, who had CAD documented by arteriography, had no recent myocardial infarction, were not taking lipid-lowering drugs, had left ventricular ejection fraction greater than 25%, and resided in the greater San Francisco area of California. Individuals in each group gave informed consent and were randomized after we obtained baseline quantitative coronary arteriography but before other baseline measurements.[1,4]

Modification of risk factors has been described previously[1,4] and consisted of a low-cholesterol (<5 mg/d), low-fat (<10% of total energy intake) vegetarian diet with 15% protein and 75% complex carbohydrate augmented with vitamin B_{12}.[1,4] Patients stopped smoking, practiced stress management techniques for 1 hour daily, and participated in mild to moderate aerobic exercise 3 hours per week. Adherence to the program was quantified by a score reflecting a 3-day diet diary, an exercise and stress management diary, and confirmation of smoking cessation by plasma cotinine concentration. A total score of 1.0 indicated 100% adherence to the recommended lifestyle changes, whereas a score of zero indicated no adherence. A score greater than 1.0 indicated that patients did more than was recommended.

Quantitative Coronary Arteriography

Initial and follow-up coronary arteriograms were performed using the standard percutaneous femoral approach. Detailed records of the view angles, x-ray exposures, image intensifier, x-ray tube, patient distances, and reference catheter dimensions were maintained. These same characteristics were used in follow-up arteriograms to reproduce views and exposures as closely as possible. Angiograms were analyzed simultaneously in pairs by a technician unaware of clinical data or group assignment using automated border recognition and stenosis analysis techniques to avoid the potential bias, imprecision, and uncertainties of visual interpretation. The primary stenosis dimensions measured by the automated arteriographic program previously described[1,4,25-29] include proximal diameter and cross-sectional lumen area, minimal diameter and area, distal diameter and area, the exit angle and exit shape effects, and calculated measures of severity, including percent diameter stenosis, percent area narrowing, integrated length-area effects, and stenosis flow reserve. This program has been validated in three separate experimental studies,[26-28] applied in humans,[1,4,33,36-40] and used routinely in approximately 5000 clinical arteriograms in our laboratory. The 95% confidence interval for stenosis flow reserve is ±0.66, with a reproducibility of primary dimensions of ±3% to ±5%.[1,4,25-29]

PET Imaging

As previously described,[36-43] PET imaging of myocardial perfusion was performed at rest and after administration of dipyridamole. Fluoroscopy was used to mark the cardiac borders for patient positioning. The PET imaging was performed using the University of Texas–designed cesium fluoride, multislice tomograph with a reconstructed resolution of 12 mm full width at half maximum (FWHM) in plane and 14 mm FWHM axially. Transmission images were obtained to correct for photon attenuation using the segmented attenuation correction method.[44] Emission images were obtained following intravenous injection of 18 mCi of cyclotron-produced nitrogen 13 (^{13}N) ammonia[36-43] or after 40 to 50 mCi of generator-produced rubidium 82, depending on availability of a generator (Bristol-Myers-Squibb, Princeton, NJ). The radionuclide used at baseline was also used in the final follow-up PET study.

At 5 to 10 minutes after the first dose of rubidium 82 or at 40 minutes after administration of the first dose of ammonia to allow for decay of the first radionuclide dose, dipyridamole (0.142 mg/kg per minute) was infused intravenously for 4 minutes. Two minutes after the infusion was complete, 25% of predetermined maximal handgrip was held by the patient with one hand for 4 minutes. Two minutes after the start of the handgrip, a second dose of the same amount of the same radionuclide was injected intravenously, with the handgrip continued for 2 minutes. The PET imaging was then repeated by the same protocol as for the resting study.

Transmission scans contained 100 million to 150 million counts. Emission scans of the whole heart contained 20 million to 40 million counts for 15 to 20 mCi of intravenous ^{13}N ammonia and 15 million to 25 million counts for 40 to 50 mCi of rubidium 82.

Baseline and final dipyridamole images were displayed together for direct side-by-side comparison and were visually interpreted by three independent readers blinded to patient identification, quantitative data, treatment group, and all clinical information. The image pairs were randomized and were independently read by the three blinded readers as worse, better, unchanged, or showing mixed changes for different directional changes in the four quadrants and apex as described below. The visual change from baseline to final PET image was scored as no change, zero, or improved on a scale of +1, corresponding to definite but mild improvement, to +3 for maximal improvement, or −1 for definite but mild worsening to −3 for maximal worsening. A ±1 change corresponded to a one-color difference (eg, red vs yellow, representing a step in count density of 15% of maximum) between baseline and final PET scans; a ±2 change corresponded to a two-color difference (eg, red vs green); and a ±3 change corresponded to a three-color difference (eg, red vs blue) for a color scale as shown in Figure 1. Any change of +1 or greater was considered improved. Any change of −1 or less was considered worse. Any study with a change in one part of the heart of +1 or greater and a change in another part of −1 or less was considered to be a mixed change.

All measurements of severity and size of perfusion defects were carried out by computer analysis as previously described[16,25,38-40] without operator interpretation, visual drawing of borders, visual location of defect, or any other operator interaction, background subtraction, image enhancement, or other image manipulation. A three-dimensional restructuring algorithm generated true short- and long-axis views from PET transaxial cardiac images and three-dimensional views of the left ventricle as viewed from the right (septal), anterior, left lateral, and inferior views, reflecting relative regional activity distribution at rest and after dipyridamole stress. Polar maps and three-dimensional views are divided into fixed sections consisting of septal, anterior, lateral, and inferior quadrants and an apical segment of the polar or three-dimensional display.[16,25,38-40] The baseline PET scan was compared with the final PET scan by automated analysis of differences in size and severity of perfusion abnormalities, also without operator judgment, selection of areas of interest, or image manipulation.

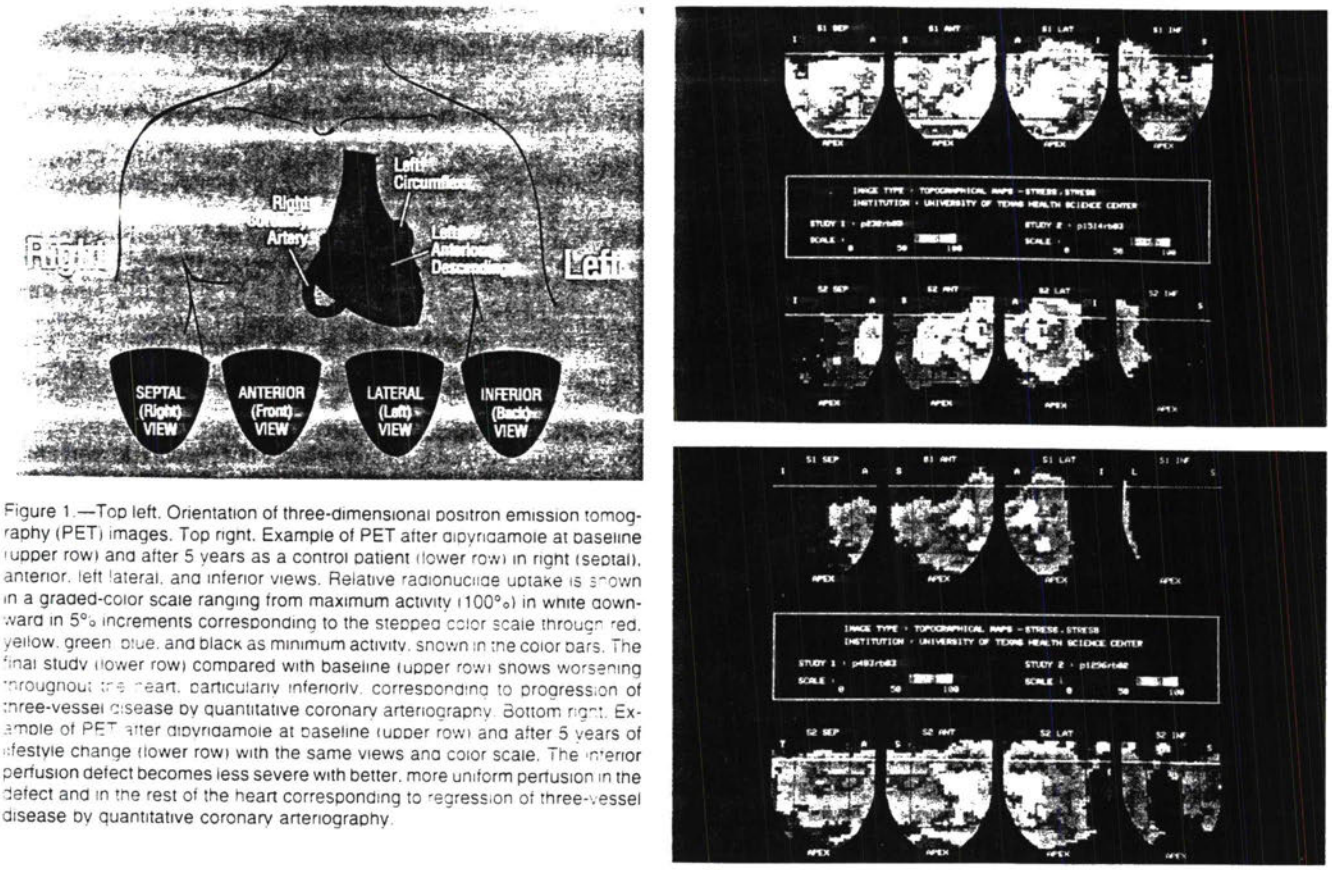


Figure 1.—Top left. Orientation of three-dimensional positron emission tomography (PET) images. Top right. Example of PET after dipyridamole at baseline (upper row) and after 5 years as a control patient (lower row) in right (septal), anterior, left lateral, and inferior views. Relative radionuclide uptake is shown in a graded-color scale ranging from maximum activity (100%) in white downward in 5% increments corresponding to the stepped color scale through red, yellow, green, blue, and black as minimum activity, shown in the color bars. The final study (lower row) compared with baseline (upper row) shows worsening throughout the heart, particularly inferiorly, corresponding to progression of three-vessel disease by quantitative coronary arteriography. Bottom right. Example of PET after dipyridamole at baseline (upper row) and after 5 years of lifestyle change (lower row) with the same views and color scale. The inferior perfusion defect becomes less severe with better, more uniform perfusion in the defect and in the rest of the heart corresponding to regression of three-vessel disease by quantitative coronary arteriography.

The end points were the severity and size of perfusion defects on PET images at rest and after dipyridamole stress, defined as follows: The end point *lowest quadrant average* was the average number of normalized counts for the quadrant having the lowest average activity, in which an anterior, septal, lateral, and inferior quadrant surround a central apex area. The mean value for any given quadrant with the lowest or minimum activity was the quadrant that contained the most severe perfusion defect. This lowest quadrant average was determined for the PET image at rest after dipyridamole stress. This end point quantified the relative severity of the perfusion abnormality. For example, a value of 65% would indicate that the mean count value for the quadrant with the lowest counts, and therefore containing the perfusion defect, would be 65% of the normal maximum of 100%.

The end point *percentage outside 2.5 SDs* was the size of the perfusion defect determined as the percentage of the cardiac image outside 2.5 SDs of that of normal individuals (based on 20 disease-free persons) for the PET image at rest or after dipyridamole stress. Because 2.5 SDs includes 97.6% of the normal distribution, there was only a 2.4% chance that normal values outside 2.5 SDs would be observed.

The end point *percentage with a ratio less than 0.6* was a measure of combined severity and size of perfusion abnormalities determined as percentage of myocardium with activity of less than 60% of maximum activity (100%) on the PET image. This measurement gives the size of the defect characterized by the severity threshold of less than 60% of the normal maximum of 100%, and therefore reflects the combined intensity and size of the defect on the PET image. A value of less than 0.6 or less than 60% of maximum on the PET image is approximately 3 SDs below the normal mean of 80%±7% of maximum activity. Because 3 SDs contain 99.7% of the normal distribution, there was less than a 0.3% chance that normal values would be observed below 60% of maximum activity.

Statistical Analysis

Changes in perfusion abnormalities from the baseline to the final PET were compared between experimental and control groups by unpaired, one-tailed *t* test for continuous variables.[45-48] Data are reported as mean±1 SEM unless otherwise noted, reflecting the variability of means in each group and calculated as the SD divided by the square root of n, where n is the sample size of the group. A one-tailed *t* test was justified on the grounds that improved lifestyle changes would not be expected to make perfusion abnormalities worse, as specified at the beginning of the study. Two-tailed *t* tests are also reported as more rigorous tests of significance. Analysis of variance was carried out using the Bonferroni post hoc correction algorithm[47,48] in Statview software (Abacus Concepts Inc, Berkeley, Calif). For discrete variables such as number or percentage of subjects showing changes greater than 1 SD from baseline values, significance of differences between groups was determined by Fisher's exact test (one tailed).[45-48]

Sample size was determined in initial trial design by power calculations from estimated changes expected and variability of quantitative arteriographic end points, the primary end points as previously reported for 1-year follow-up.[14] In view of previous reports on changes in arteriographic stenosis severity in this[14] and other trials,[1-24] we report arteriographic changes only briefly in comparison to PET results.

At entry into the study, four patients had one or more completely occluded coronary arteries with extensive collaterals to viable myocardium. These patients demonstrated severe perfusion ab-

Table 1.—Changes in Risk Factors*

Risk Factor	Experimental Group			Control Group			P†
	Baseline	5-y Follow-up	Change	Baseline	5-y Follow-up	Change	
Systolic blood pressure, mm Hg	135±15	128±14‡	−7±13	137±27	127±13	−11±21	.69
Diastolic blood pressure, mm Hg	82±9	77±8‡	−5±9	81±14	75±7	−5±13	.78
Weight, kg	91±15	83±12§	−8±6	76±18	78±19	+2±5	<.001
Cholesterol, mmol/L (mg/dL)	5.80±1.35 (225±53)	4.50±0.85 (175±33)§	−1.30±0.95 (−50±37)	6.45±0.95 (250±37)	5.95±0.85 (230±33)	−0.50±1.10 (−20±43)	.04
LDL cholesterol, mmol/L (mg/dL)	3.70±1.30 (143±50)	2.65±0.90 (103±35)§	−1.05±1.03 (−41±40)	4.35±0.78 (168±29)	3.80±0.90 (148±35)	−0.50±1.00 (−19±38)	.13
HDL cholesterol, mmol/L (mg/dL)	1.05±0.30 (40±12)	0.90±0.30 (35±11)	−0.15±0.35 (−5±13)	1.35±0.55 (53±22)	1.30±0.40 (50±16)	−0.03±0.40 (−1±15)	.26
Triglycerides, mmol/L (mg/dL)	2.58±1.34 (228±119)	2.78±1.20 (247±107)	+0.22±0.98 (+19±87)	2.62±2.84 (232±251)	2.20±0.76 (194±67)	−0.42±2.82 (−38±250)	.35
Adherence‖	0.67±0.37	1.14±0.24§	+0.55±0.29	0.60±0.29	0.71±0.27	+0.09±0.19	<.001

*LDL indicates low-density lipoprotein; and HDL, high-density lipoprotein. Numbers indicate mean±1 SD unless otherwise indicated.
†*P* for change, experimental group vs control group.
‡For baseline vs experimental period, *P*=.03.
§For baseline vs experimental period, *P*<.001.
‖See text for explanation.

normalities and myocardial steal after dipyridamole stress by PET. Myocardial steal by PET after dipyridamole stress is diagnostic for substantial coronary collateralization as compared with coronary arteriography.[41] Areas of myocardium showing myocardial steal would not be expected to show decreased size or severity of perfusion abnormalities corresponding to stenosis regression because the artery is occluded and usually does not reopen with lipid lowering. Myocardial steal and severity of perfusion defect after dipyridamole stress increase with time as resting collateral supply improves to myocardium distal to the occlusion.[49] Accordingly, image data were analyzed both with and without the four patients with myocardial steal.

RESULTS

Of the 48 patients enrolled, five (25%) of 20 patients in the control group and eight (29%) of 28 patients in the experimental group dropped out or were unavailable for follow-up study, including one control patient with bypass surgery, leaving 35 patients for analysis. Fifteen patients (12 men and three women) were in the control group and 20 patients (all men) were in the experimental group. Mean age of the experimental group was 57±6 years and of the control group 62±8 years.

Time from baseline control PET to the final PET study was 5.0±0.2 years (mean±1 SEM) and was comparable for control and experimental groups (5.1±0.2 years vs 4.9±0.2 years, respectively). Baseline characteristics of the control and experimental study groups were comparable, as previously reported.[1]

Differences between the control and experimental groups in the change from baseline to average values during the follow-up period for blood pressure, weight, serum cholesterol level, and adherence to the exercise, diet, and stress management program are shown in Table 1. At final follow-up there was no difference in frequency, duration, or severity of angina pectoris between experimental and control groups, most likely due to revascularization procedures performed in the control group. Twenty patients (57%) were studied with ^{13}N ammonia at baseline and final PET studies, and 15 patients (43%) were studied with rubidium 82 at baseline and final PET studies, with the same proportion in the experimental and control groups. No systematic differences in the changes from baseline to final study were observed between these two perfusion radiotracers in the experimental vs the control group.

Figure 1, top right, shows the perfusion images in a control patient after dipyridamole at baseline (upper row) and at final follow-up 5 years later (lower row). In this control patient, the final study in comparison to baseline shows a marked decrease of activity in the inferior myocardium and a definite but less severe decrease in lateral, septal, anterior, and apical myocardium, reflecting decreased perfusion capacity corresponding to progression of three-vessel disease documented by quantitative coronary arteriography. From a patient in the experimental group (bottom right) the final study in comparison to baseline shows increased activity, particularly in the inferior myocardium but also in lateral, septal, anterior, and apical myocardium, reflecting increased flow capacity and regression of three-vessel disease by quantitative coronary arteriography. These examples illustrate characteristic changes that occurred in most patients.

Figure 2 shows the change in severity of myocardial perfusion abnormalities after dipyridamole stress measured as the lowest quadrant activity expressed as a percentage of maximum activity in the heart. The quadrant with the lowest activity contains the most severe perfusion abnormality of the PET image after dipyridamole stress. In the control group, this lowest activity decreased further, indicating a more severe or worsening abnormality on the final study compared with the baseline study. In the experimental group, the lowest quadrant activity increased, ie, became less severe, indicating improvement in the perfusion abnormality on the final study compared with the baseline study. The differences in changes between control and treated groups were significant (P=.001 for a one-tailed t test; P=.002 for a two-tailed t test; and a power of 95%).

Figure 3 shows the change in size of myocardial perfusion abnormalities after dipyridamole stress expressed as percentage of the left ventricle (LV) outside 2.5 SDs of normal individuals. In the control group, the size of the myocardial perfusion defects increased, indicating a larger perfusion abnormality. In the experimental group, the size of the perfusion abnormalities decreased, indicating improvement. The difference in the changes between control and treated groups was significant (P=.02 for a one-tailed t test; P=.05 for a two-tailed t test; and a power of 70%).

Figure 4 shows the change in combined size and severity end point expressed as percentage of the LV with activity less than 60% of maximum activity. In control patients, the percentage of the LV below 60% of maximum activity increased, indicating worsening of the perfusion abnormality. In the experimental group, the percentage of the LV below 60% of maximum activity became smaller, indicating improvement in the perfusion abnormality. The difference in the changes between the control and experimental groups was significant (P=.002 for a one-tailed t test;

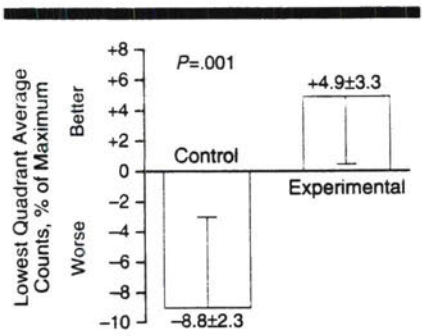


Figure 2.—Changes in severity of myocardial perfusion abnormalities by positron emission tomography after dipyridamole stress. Severity is measured as the lowest quadrant (as shown in Figure 1) average activity expressed as percentage of maximum activity. A decrease in activity, shown by a minus sign, indicates worsening; an increase in activity, shown by a plus sign, indicates improvement. The values shown are mean±SEM, with n=16 for the experimental and n=15 for the control group.

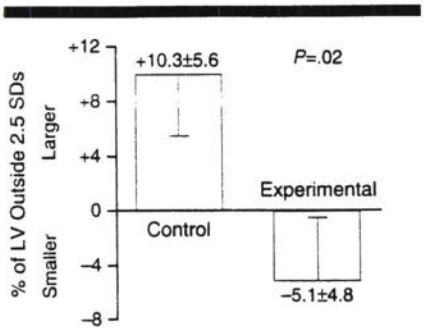


Figure 3.—Changes in size of myocardial perfusion abnormalities by positron emission tomography after dipyridamole stress. Size is measured as the percentage of the left ventricle (LV) outside 2.5 SDs of the normal range. An increase in size, shown by a plus sign, indicates worsening; and a decrease in size, indicated by a minus sign, indicates improvement. The values shown are mean±SEM, with n=16 for the experimental and n=15 for the control group.

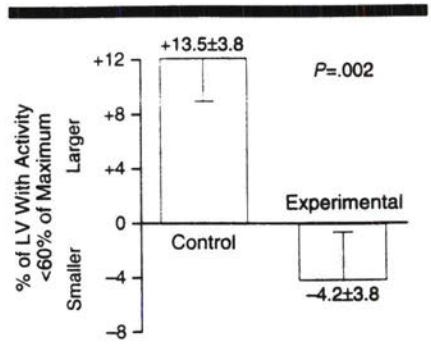


Figure 4.—Changes in combined size and severity of myocardial perfusion abnormalities by positron emission tomography after dipyridamole stress. The combined measure of size and severity is expressed as the percentage of the left ventricle (LV) with activity less than 60% of maximum, which is 3 SDs below the normal mean of 80%. An increase in size and severity is shown by a plus sign indicating worsening. A decrease in size and severity is shown by a minus sign indicating improvement. The values shown are mean±SEM, with n=16 for the experimental and n=15 for the control group.

P=.004 for a two-tailed t test; and power of 95%).

Table 2 shows the changes in three PET end points, including the four patients who, at entry, had occluded collateralized coronary arteries and myocardial steal after dipyridamole stress. The values for the experimental group (n=20) and the P values compared with those for the controls (n=15) in Table 2 are somewhat different than in Figures 2 through 4. The differences in changes between the control group and the experimental group (Table 2) remain statistically significant, although they were not as large due to unimproved size and severity of perfusion defects associated with myocardial steal in the four patients with occluded arteries at study entry. For Table 2, P values are for one-tailed t test, with the same results with two-tailed t testing.

Figure 5 shows the percentage of patients with significant changes, either worse or better, in size and/or severity of myocardial perfusion abnormalities after dipyridamole stress. Significant change in each of the three PET measurements of size and/or severity of perfusion abnormalities was defined as a change in each PET measurement on the final PET study that was greater than 1 SD of each PET measurement on the baseline studies of the control and experimental groups combined. The percentage of patients showing a threshold change defined in this way was averaged for each of the three PET measurements, and the resulting percentage of patients is shown in Figure 5. This analysis of patients based on a threshold change shows that 45% of controls had worsening defects, 50% showed no change, and 5% showed improvement. By comparison, most of the patients in the experimental group showed improvement or no change. The difference in these changes between the control and experimental groups was significant (P=.03 by Fisher's exact test).

As a secondary end point, PET images were also visually interpreted independent of the automated quantitative analysis. Among three blinded readers there was agreement in 33 of 35 patients on whether the baseline to final dipyridamole images showed visual worsening, improvement, or mixed changes. In the two patients requiring consensus readings, all three readers agreed that these two patients showed mixed changes.

Visual interpretation of worsening or improvement did not agree with automated measurements indicating worsening or improvement in three patients who had mixed changes that the automated method determined as a net total change of improvement in one patient and worsening in two, a quantitative result not possible by visual interpretation. In 31 of the 32 remaining patients, the automated measurements concurred with visual interpretation of worsening or improvement. In the one case of disagreement between automated and visual analysis, the visual interpretation was borderline improvement, whereas the automated measurements showed borderline worsening.

Analysis of variance with the Bonferroni post hoc correction algorithm did not change these conclusions; P values for differences between the control and experimental groups for changes in size and severity of perfusion abnormalities by PET after dipyridamole were as follows: for lowest quadrant average counts, P=.006; for percentage outside 2.5 SD limits, P=.04; for percentage with activity less than 60% of maximum activity on the dipyridamole image, P=.01.

Myocardial perfusion abnormalities by PET at resting conditions prior to dipyridamole stress also improved but not to the same degree as after dipyridamole because resting myocardial perfusion is less affected by coronary artery stenoses than is maximum perfusion capacity after pharmacologic arteriolar vasodilation.[25-32] The changes in size and severity of perfusion abnormalities on resting PET images were improved or better in the experimental group as compared with controls, with P values as follows: for the myocardial quadrant with the lowest average activity, P=.02 by one-tailed t test and P=.04 by two-tailed t test; for percentage of LV activity with less than 60% of the maximum activity on the resting PET image, P=.01 by one-tailed t test and P=.02 by two-tailed t test; for percentage of LV outside 2.5 SDs of normalized counts, P=.06 by one-tailed t test and P=.11 by two-tailed t test.

Figure 6 compares the changes in these three primary PET measurements with the changes in minimum lumen diameter, percent diameter stenosis, and stenosis flow reserve documented by quantitative coronary arteriographic analysis. Since the units of these six arteriographic and PET measurements are different, the absolute difference in changes between the control and experimental groups was expressed as a percentage of the mean of each measurement at baseline for all patients without the minus or plus sign for direction of change. For quantitative coronary arteriography, the difference in changes between the control and ex-

Table 2.—Changes in Perfusion Abnormalities by Positron Emission Tomography (PET)*

PET End Point	Control Group	Experimental Group	P
Lowest quadrant average counts, % of maximum	−8.8±2.3	+1.6±3.1	.008
% of LV outside 2.5 SDs	+10.3±5.6	−1.9±4.2	.04
% of LV with activity <60% of maximum	+13.5±3.8	−1.4±3.7	.004

*Final PET–baseline PET. Includes patients with total coronary artery occlusions at entry. LV indicates left ventricle. Numbers are mean±SD unless otherwise indicated.

perimental groups ranged from 18% to 31% of the mean baseline value. For PET the difference in changes between control and experimental groups ranged from 22% to 96% of the mean baseline value.

COMMENT

This study demonstrates that the size and severity of myocardial perfusion abnormalities documented by PET at rest and after dipyridamole stress decrease or improve in patients undergoing intense risk factor modification in comparison to an increase or worsening in perfusion abnormalities in patients treated with standard therapy.

Although it is used as a measure of changing stenosis severity in lipid-lowering trials, percent diameter narrowing or absolute lumen size documented by coronary arteriography does not account for complex shape changes of stenoses.[4] Percent stenosis is also poorly related to flow capacity or coronary flow reserve[25-32] and fails to account for diffuse disease present in most patients with localized coronary artery narrowing.[33-35] The degree of improvement in percent stenosis in regression trials is quite modest, ranging up to 5% diameter stenosis units for all stenoses and up to 10% of diameter stenosis for more severe stenoses.[1-24,50,51] These modest anatomic changes reported in recent cholesterol-lowering trials raise questions about their functional significance. In this study, the substantial improvement in perfusion abnormalities measured by PET images documents the functional significance of relatively small changes in the atherosclerotic coronary arterial circulation associated with this modest extent of arteriographic regression in long-term cholesterol-lowering trials.

The improvement in size and severity of myocardial perfusion abnormalities at resting conditions and after dipyridamole stress in comparison to worsening in controls most likely involves two mechanisms. The first is partial anatomic regression of localized coronary artery stenosis as demonstrated by quantitative coronary arteriography, which improves maximum flow capacity and decreases size and severity of perfusion abnormalities after dipyridamole stress. A second mechanism for decreased size and severity of perfusion abnormalities by dipyridamole-PET may be improved endothelial-mediated coronary artery and arteriolar vasomotor function occurring within weeks to months after vigorous cholesterol lowering but before anatomic regression occurs.[16]

Both coronary atherosclerosis and hypercholesterolemia impair endothelial-mediated vasodilation of epicardial coronary conduit arteries.[52-68] Dietary fat restriction, lipid reduction by drugs, or both restore this endothelial-mediated epicardial artery vasodilation in experimental animals[53,56,59,62] before anatomic regression of CAD is seen.[69] Changes in the coronary microcirculation may play a role in the observed improvement in perfusion defects. Atherosclerosis of proximal, conduit, and epicardial coronary arteries impairs endothelial-mediated vasodilation of the distal microcirculation.[54,55,59,62,64] Therefore, the coronary flow response induced by the direct effect of dipyridamole on arteriolar vasodilation may be augmented by an improved flow-mediated, endothelial-dependent, further arteriolar vasodilation in response to the initial increased flow induced by the effect of dipyridamole.

Since coronary artery stenoses affect maximum flow capacity much more than resting flow, the improvement in resting perfusion abnormalities suggests diffuse improvement in vasomotor function throughout the coronary arterial and arteriolar circulation in the experimental group compared with controls.

These results also provide a mechanism explaining the substantial decrease in angina pectoris reported to occur early in lipid-lowering trials.[1-23] Because myocardial perfusion reflects the integrated effects of single or multiple stenoses, diffuse atherosclerosis, and vasomotor dysfunction on coronary flow, quantitative PET perfusion imaging provides information on severity of CAD beyond a single dimension of a single localized coronary artery narrowing as measured on an arteriogram. Furthermore, because perfusion is related to lumen radius raised to the fourth power,[25-29] small changes in arteriographic lumen diameter that are difficult to measure on the arteriogram produce proportionately greater changes in perfusion that are apparent on PET scan.

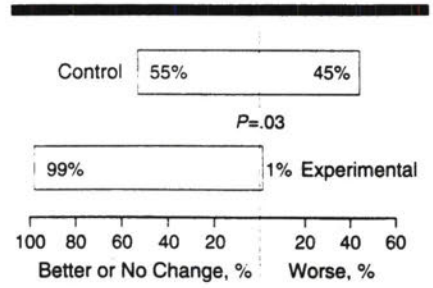


Figure 5.—Percentage of patients with significant changes greater than a threshold change, as defined below, in size and severity of myocardial perfusion abnormalities by positron emission tomography (PET) after dipyridamole stress. Significant change in each of the three PET measurements of size and severity of perfusion abnormalities was defined as a change in each PET measurement on the final PET study that was greater than 1 SD of each of the PET measurements on the baseline studies of the control (n=15) and experimental (n=16) groups combined. Values of each of the three PET end points for each patient were averaged separately for the experimental and control groups.

Using end point measurements of stenosis severity, arteriographic regression trials have compared average change in stenosis severity between control and experimental groups or have compared the percentage of patients showing a change in severity greater than some threshold value, reflecting inherent variability of the measurement technique. In this study we analyzed the PET data using both of these approaches and found concurring results.

Lipid-lowering trials have also characteristically categorized patients or stenoses as showing regression or no change as opposed to progression in severity. The reason is that progression is associated with high risk of future coronary events, such as death, myocardial infarction, bypass surgery, or balloon angioplasty, whereas partial regression or stability of coronary artery stenoses is associated with low risk of coronary events.[2,15,50,70] Accordingly, in our analysis based on threshold change in the PET images (Figure 5), we categorized patients as showing improvement or no change vs progression in size and severity of perfusion abnormalities due to these observed prognostic implications.

In view of several previous trials demonstrating modest arteriographic regression of single, localized coronary artery stenoses, the current study reports unique, long-term follow-up data on the functional and mechanistic correlates of these arteriographic changes seen after a variety of lipid-lowering interventions. The greater changes in size and severity of perfusion abnormalities obtained noninvasively in this study may be interpreted as being functional consequences of or correlates with the mod-

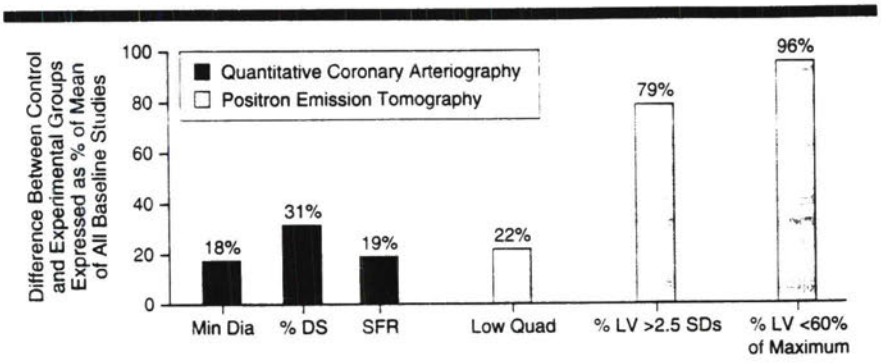


Figure 6.—Comparison of changes by positron emission tomography (PET) and quantitative coronary arteriography (QCA). The PET measures were myocardial quadrant with the lowest average activity (Low Quad), percentage of left ventricle (LV) outside 2 SDs of normals, and percentage of LV activity less than 60% of maximal activity. Measurements by QCA were minimum absolute lumen diameter (Min Dia); percent diameter stenosis (% DS) and stenosis flow reserve (SFR) derived from the integrated effects of absolute lumen diameter, % DS, and cumulative length effects based on fluid dynamic equations, all as previously validated and reported.[2-7] The absolute difference in changes between the control and experimental groups (without the minus or plus sign for direction of change) was expressed as a percentage of the mean of each measurement at baseline for all patients.

est anatomic changes in stenosis severity measured by invasive arteriography.

The principal limitation of the current study is the relatively small number of subjects. However, differences in PET images between control and experimental groups were statistically significant. During the 5-year follow-up period of this study, five (25%) of 20 control patients and eight (29%) of 28 patients in the experimental group dropped out of the study or were unavailable for follow-up, or data were lost by computer malfunction. The dropout rate averaged 5% per year, comparable to that in other trials, and was comparable in control and experimental groups without identifiable bias in the results. While some unrecognized bias from dropouts, small sample size, or patient selection might limit the generalizability of the effects of the lifestyle intervention, it would not be expected to affect results of size and severity of perfusion abnormalities by PET. Noninvasive functional measures of disease severity were comparable to or, in some respects, better than invasive coronary arteriography performed in the same patients.

The total cost of diagnosis and follow-up by noninvasive PET at $2200 per study for all component costs is comparable to typical total costs of $2500 for single-photon emission computed tomography (SPECT) stress perfusion imaging and is less than $8000 to $10 000 for all costs of coronary arteriography.[71] This study focused on changes in myocardial perfusion using the most quantitative, accurate imaging currently available, which PET provides due to attenuation correction and uniform, depth-independent high resolution. Pharmacologic stress is also readily standardized despite changing maximal exercise workload due to changing anginal thresholds that alter the vasodilatory stimulus at follow-up studies compared with baseline. Whether changes in myocardial perfusion can be reliably followed up by SPECT, exercise stress, or both is unclear. Eight recent studies of a total of 4064 cases suggest that attenuation artifacts limit the accuracy of SPECT[72] and reduce its reported sensitivity and specificity to 86% and 54%, respectively, compared with 95% and 95% for PET based on 855 cases in nine reports.[71] In view of technical limitations, further randomized studies would be necessary to document the validity of SPECT for this application in comparison with coronary arteriography.

In conclusion, the modest regression of coronary artery stenosis in patients with coronary atherosclerosis after intense risk factor modification is associated with significantly decreased size and severity of perfusion abnormalities by rest-dipyridamole PET perfusion imaging as compared with worsening of perfusion in control patients treated with standard antianginal therapy at 5-year follow-up. Progression or regression of CAD can be followed up noninvasively by objective automated quantitation or qualitative visual interpretation of perfusion abnormalities by rest-dipyridamole PET perfusion imaging.

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