

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
--------------------------	---------------	------	-------------

001. resume	[Personally Identifiable Information] [partial] (1 page)	11/03/1995	b(6)
-------------	--	------------	------

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 7691

FOLDER TITLE:

Chron Files November 12-18, 1995 [1]

2019-0774-S

rs3298

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE PRESIDENT HAS S...
11-15-95



Republican National Committee

Haley Barbour
Chairman

Handwritten notes: "Doug", "S.", "K.", "I."

Handwritten notes: "Doug", "Send copy to Schwab (Du)", "Review for press. Reverse", "Tuesday Morning", "hit on them"

Dear Friend,

We won't be able to defeat Bill Clinton without your continued support of the Republican National Committee.

That's why I've sent you the enclosed Fact Sheet on the Clinton presidency to remind you how important it is to elect a Republican president in 1996.

Please look this Fact Sheet over and share it with your friends and family to help make sure the Bill Clinton record is exposed and he is held responsible for his broken promises and liberal policies.

We must not let voters forget about President Clinton's record:

- * A broken campaign promise of a middle-class tax cut.
- * The 1993 Clinton budget which increased spending and raised taxes (the largest tax increase in history!)
- * Clinton's confused and embarrassing foreign policy flip-flops.
- * The Clinton plan to have the government takeover the nation's health care system.
- * The several Clinton Administration figures under investigation by special prosecutors.
- * A hollow attempt to join in the balanced budget debate by proposing a so-called "balanced budget" that never actually balanced (According to Congressional Budget Office estimates, Clinton's "balanced budget" leaves a \$209 billion deficit after 10 years).

THESE ARE THE FACTS.

Clinton knows he can't win if he is forced to defend this record -- He has ignored the will of the American people to try to please his liberal special interest allies.

That's why Bill Clinton has been trying desperately to walk away from the liberal record his administration has accumulated during the past two and a half years.

The president's handlers think they can create a "new" Bill Clinton by manipulating the media coverage and cynically pretending to embrace Republican themes such as balancing the budget, getting tough on crime and encouraging family values.

Remember, Bill Clinton is a life-long, professional politician who will do or say anything to win a political advantage which could aid his reelection.

And Clinton's first priority is to energize his base of contributors and activists -- the trial lawyers, labor unions, Hollywood's left and other liberal special interests.

That's why he and his liberal Democrat allies in Congress are trying to block the Republican plan to balance the budget. And that's why they are blocking regulatory reform, tort reform, welfare reform, term limits and the dozens of other Republican initiatives.

(over, please)

The president and the Democrats in Congress are putting politics before policy regardless of the long-term damage they do to our country.

Bill Clinton has given up any pretense of working with the Republican Majorities in Congress to solve the nation's problems. He is doing what he does best, campaigning full-time. He has already raised over \$10 million and he is even running television commercials to try to rebuild his image.

With over 15 months left until the presidential election, we must not underestimate Clinton's resolve or his resourcefulness. There is too much at stake...

...For the first time since Dwight Eisenhower won office Republicans have a chance to win control of the White House and both Houses of Congress.

We have a chance to put America back on track to expanded freedom and opportunity instead of continuing down the road to expanded government and dependence.

The RNC is leading this fight to make our Party the majority Party at all levels of government! But we can't do it without your continued active support.

It is going to take an all-out effort by every concerned Republican to defeat Bill Clinton next year and expand our majorities in Congress.

The national leadership of the Republican Party is counting on your steadfast support of the RNC to help combat the Clinton/Democrat onslaught.

I know from your outstanding record of support you are probably being asked for donations by several organizations and campaigns, but please remember the RNC is the only organization allowed by law to directly support and work on behalf of the Republican Party's presidential nominee -- THE only group.

If you want to defeat Bill Clinton, your continued support of the RNC is the most effective way you can help.

And we don't have a moment to waste.

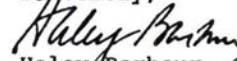
That's why I'm hoping you will use the enclosed RNC Member Special Contribution Reply to send a contribution of \$25, \$50 or even \$100 today in the postage-paid envelope provided for your use.

You can make a difference --- You've proven that by helping the Republican Party get where we are today, on the brink of an election victory which will change the course of history.

So please, look over the enclosed Fact Sheet detailing Clinton's liberal record, then sit down and make out a check for \$25, \$50 or even as much as \$100 and send it to the RNC right away.

I look forward to hearing from you soon. Thank you in advance for your steadfast support of the Republican National Committee and the candidates of our Party.

Sincerely,


Haley Barbour, Chairman

P.S. The enclosed Fact Sheet on the Clinton Presidency shows how important it is to elect a new Republican president in 1996. The Republican National Committee is leading our Party's nationwide effort to defeat Bill Clinton, expand our majorities in Congress and elect more Republicans at all levels of government.

And your support as an RNC member is critical to the success of the Republican Party's campaign strategy. So please send the largest special contribution you can in the enclosed postage-paid envelope today. Thank you.



FACTS ABOUT THE CLINTON PRESIDENCY

This sheet contains facts which dramatically demonstrate the need to elect a Republican president in 1996. Please read this Fact Sheet and feel free to make copies and distribute it to your friends, family and acquaintances.

- FACT:** In 1992 candidate Clinton promised a middle class tax cut.
- FACT:** Clinton began to disavow the need for a middle class tax cut almost immediately after winning office.
- FACT:** During the 1992 campaign Clinton promised to introduce a plan to balance the budget in five years.
- FACT:** Clinton's first major fiscal initiative was to try to increase federal spending by \$16 BILLION in his "stimulus" package which Senate Republicans successfully blocked.
- FACT:** Clinton's first veto was used to stop a Republican rescission bill which would have eliminated close to \$16 BILLION of unneeded federal spending.
- FACT:** The 1993 Clinton budget contained the largest tax increase in the history of the world.
- FACT:** The 1993 Clinton budget increased wasteful spending while also raising taxes.
- FACT:** Not a single Republican voted for Clinton's 1993 budget.
- FACT:** Clinton's *first* 1996 budget plan did not even attempt to cut the deficit and it was defeated by the Senate 99-0, with not even a single Democrat supporting it.
- FACT:** To try to remain "relevant" Clinton introduced a second budget plan in 1995 which he claimed balanced the budget in 10 years.
- FACT:** Clinton's 2nd 1996 budget plan never reaches a balance. According to Congressional Budget Office estimates it leaves a deficit of \$209 billion after ten years — even larger than the current federal deficit.
- FACT:** Clinton shut down the entire Los Angeles Airport for an hour while he received a haircut from "Christophe," a Hollywood hairstylist who charges \$200.
- FACT:** Clinton opposes allowing school choice vouchers which let parents send children to the school of their choice, yet he sends his own daughter to an elite private school.
- FACT:** Clinton promised to have the most ethical administration ever.
- FACT:** Secretary of Agriculture Mike Espy resigned and is under investigation by an Independent Counsel.
- FACT:** Commerce Secretary Ron Brown is under investigation by an Independent Counsel.

(over, please)

Please detach this portion and return with your most generous contribution. Thank you.

REPUBLICAN NATIONAL COMMITTEE

SPECIAL CONTRIBUTION REPLY

FROM: Mr. Glenn Cowan
10300 Fawcett St.
Kensington, MD 20895-3339

TO: Haley Barbour, Chairman
310 First Street, S.E.
Washington, D.C. 20003

Dear Haley,

I understand that the Republican Party must defeat Bill Clinton and elect more Republicans to all levels of office in order to fully implement our agenda of change and reform. To help provide the RNC with the resources it needs to build a winning campaign organization for 1996, I am enclosing a special contribution of:

\$25 \$50 \$100 Other \$ _____

Please make your check payable to the Republican National Committee

S5PY08

Contributions or gifts to the Republican National Committee are not deductible as charitable contributions for federal income tax purposes.

FACT: Transportation Secretary Henry Cisneros is under investigation by an Independent Counsel.

FACT: Webster Hubbell, a former law partner of Hillary Clinton, was the number two official at the *Justice Department* until he had to resign to return to Arkansas and face felony charges of mail fraud and tax evasion. He is now a *convicted felon* and must serve 21 months in prison.

FACT: The Clinton Administration denied a request for heavy armored vehicles for troops stationed in Somalia just weeks before the shoot-down of U.S. helicopters in territory unreachable with the equipment available. Over a dozen Americans died in the incident.

FACT: The Chief White House Counsel resigned in disgrace after reports of improper contacts between the White House and the Treasury Department were revealed in Senate hearings.

FACT: President Clinton spent millions of taxpayer dollars to develop and try to implement a huge, bureaucratic plan to have the government takeover and run our nation's health care system.

FACT: According to Clinton himself, his biggest achievement has been to start the AmeriCorps program. This make-work government program created a new bureaucracy which *costs an average of \$27,000* in direct payments, overhead and government benefits for each *volunteer* it oversees.

FACT: Clinton promised to "end welfare as we know it" during the 1992 campaign, but his welfare reform plan was simply to spend more on the existing, failed, big-government programs. He has proposed no welfare reform legislation to the Congress.

FACT: Clinton has gradually escalated the U.S. military role in Bosnia.

FACT: America is widely perceived to have lost prestige and influence with our allies because of Clinton's various flip-flops and vague foreign policy.

FACT: President Clinton is threatening to veto Republican budget plans because they do not *increase* spending as much as Clinton would like.

FACT: Despite the report from the Medicare Trustees that the Medicare Trust Fund will go bankrupt in seven years if nothing is done, Clinton opposes Republican efforts to protect and preserve Medicare, and Clinton has refused to offer any plan of his own.

FACT: Clinton came to office promising to win the war on drugs, yet he slashed the federal Drug Czar office by 83% -- And drug use by the nation's youth is up.

FACT: As a candidate, Clinton promised to reduce regulation and red-tape, yet his administration has produced over 66,000 pages of new rules and regulations.

FACT: AMERICA CANNOT AFFORD FOUR MORE YEARS OF THESE KIND OF FACTS!

FACT: Your active support of the Republican National Committee can elect a Republican president in 1996.

Paid for by the Republican National Committee
310 First Street, SE • Washington, DC 20003

*Contributions or gifts to the Republican National Committee are not deductible
as charitable contributions for federal income tax purposes.*

FEC INFORMATION:

Paid for by the Republican National Committee. Funds received in response to this solicitation will be deposited in the RNC's federal account unless otherwise prohibited. Federal election law requires us to report the following information:

Occupation: _____

Employer: _____

Please check if self-employed.

Telephone number (optional): _____

CREDIT CARD INFORMATION:

You may make your 1995 contribution to the RNC by credit card if you choose by completing the information below:

Type of Credit Card: Personal Corporate
 VISA MasterCard American Express

Credit Card Number: _____

Expiration Date: _____

Name as it appears on Card: _____

Signature _____

Amount of Contribution: \$ _____

THE WHITE HOUSE
WASHINGTON
OFFICE OF LEGISLATIVE AFFAIRS
FAX COVER SHEET

NOTE: THE INFORMATION CONTAINED IN THIS FACSIMILE MESSAGE IS CONFIDENTIAL AND INTENDED FOR THE RECIPIENT ONLY.

DATE: 11.10.95

TO: Phil

FAX #: _____

FROM: JOCELYN M. JOLLEY
456-7500 (TEL) 456-6221(FAX)

RE: Event thank you's

Diskind
✓
Jim. 11-14-95
My edits are
in red. Feel
free to use or
not use other
edits.

PAGE 1 OF 7

If there are any problems with this transmission, please call (202) 456-7500.

FAX SENT: _____

DRAFT

Dear 1-:

outstanding achievement

Hillary and

Thank you for joining me at the White House for the recent presentation of the Presidential Medal of Freedom. Your presence meant a great deal to me.

Since its inception, this medal has ^{rewarded} represented the remarkable service and indelible spirit of individual Americans. Then, as now we celebrate people who have always been for change and who have changed America for the better.

America

~~I am grateful for your perspective and look forward to your continued involvement.~~

seeing you again

Sincerely,

~~George H.W. Bush~~

The Honorable 2-
3-
Washington, D.C. 20514-

I was so pleased that you were able to join with us in honoring this year's medal winners

DRAFT

Dear 1-:

Thank you for joining me at the White House for the recent observance of National Domestic Violence Awareness Month. Your presence meant a great deal to me. .

As I said in my remarks, it ^{is} time to recognize that domestic violence can quickly and easily become criminal violent activity that affects us all, regardless of our race, our income, ~~for~~ our age, ~~—~~ regardless of where we live, or what we do. It is my hope that we will lead the way to guarantee women and their children a safe life and a chance at a good, constructive family.
 lives and hope for the future.

I am grateful for your support and look forward to your continued involvement.

Sincerely,

are these being sent to all supporters!

The Honorable 2-
3-
Washington, D.C. 20514-

Isn't domestic violence already criminal activity -- how does it "become" criminal?

DRAFT

Dear 1~:

✓ Thank you for ^{from} joining me at the White House as I accepted the Final Report of The Advisory Committee on Human Radiation Experiments. Your presence meant a great deal to me.

The report is a very important piece of America's history and it will shape America's future in ways that will make us a more honorable, ~~more successful~~ and more ethical country. Through this investigation, we have recognized that there is a right way and a wrong way to do research. I am committed to seeing to it that the United States of America lives up to its responsibility.

I am grateful for your support and look forward to your continued involvement.

Sincerely,

human subject
research

The Honorable 2~
3~
Washington, D.C. 20514~

DRAFT

Dear 1~:

Thank you for joining me at the White House for the recent presentation of the National Medal of Arts. Your presence meant a great deal to me.

This medal represents the best ^{of} America in the Arts and Humanities ~~field~~. The honorees were a distinguished group of Americans who lived their lives as builders -- bringing people enlightenment and enjoyment while advancing the cause of human knowledge and understanding, ~~and the joy in life.~~

I am grateful for your support and look forward to your continued involvement.

Sincerely,

all supporters of
the event?

another word -- his
doesn't sound right

The Honorable 2~
3~
Washington, D.C. 20514~

DRAFT

Dear 1-:

Thank you for joining me at the White House for the ~~Second~~ AmeriCorps Swearing-In Ceremony. Your presence meant a great deal to me.

AmeriCorps proves that the American idea is alive and well and can meet the challenges of the 21st century ~~to~~ ^{side is} to restore our values, ^{is} to strengthen ^{us} at the grass roots level. It is not only consistent with our values and a good thing to do, it also ~~happens to be cost-efficient and it works.~~ ^{effective.}

I am grateful for your support and look forward to your continued involvement.

Sincerely,

Gods as a Nation

AmeriCorps

The Honorable 2~

3~

Washington, D.C. 20514~

DRAFT

Dear Senator 1~:

Thank you for joining me at the White House for the recent presentation of the National Medal of Science and Technology. Your presence meant a great deal to me.

Those honored ^{here} made great contributions to science and technology that have enriched the United States along with the entire world. ~~All of them have performed research that will pay off richly for the United States in the 21st century. Their~~ achievements of these people give us confidence that the United States will continue to lead in science and technology for many years to come.

I am grateful for your support and look forward to your continued involvement.

Sincerely,

The Honorable 2~
United States Senate
Washington, D.C. 20510

DRAFT

OK

Dear Senator 1-:

Thank you for attending Secretary Riley's Direct Lending press conference last week. As you know, I strongly oppose the Congressional majority's efforts to eliminate or cap the Direct Lending program. This program works and should not be subjected to partisan politics and special interests.

I am grateful for your perspective and look forward to your continued support of this important program.

Sincerely,

The Honorable 2-
United States Senate
Washington, D.C. 20510

To: Phil

From: Jacelyn

- per Peter's request.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 11-14

TO: Leon
Harold
George
Alexis
FROM: Staff Secretary

Ky 1.

Todd

THE WHITE HOUSE
WASHINGTON

95 NOV 14 P5:02

INFORMATION

November 14, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Captain Everett L. Greene's Fitness for Promotion

There have been several news articles about Secretary of the Navy John Dalton's preliminary decision to recommend that you remove Captain Everett Greene from the promotion list to flag rank.

In February 1995, you nominated Captain Greene, a minority and male Navy officer, for promotion to Rear Admiral. In March 1995, Lt. Felix, a female officer, stated she had been sexually harassed by Captain Greene while formerly assigned to his division. His nomination for Rear Admiral was then placed on hold at the Senate with White House concurrence.

The Navy's investigation found that Captain Greene went beyond permissible bounds of conduct expected of a senior officer as well as toward another subordinate female officer, Lt. Castrucci. Captain Greene refused non-judicial punishment and requested a court-martial. Charges of fraternization, sexual harassment and conduct unbecoming an officer and a gentleman were preferred

The judge dismissed the charges on the offenses concerning Lt. Castrucci for lack of evidence. The members of the court-martial then acquitted Captain Greene of all charges concerning Lt. Felix, unconvinced of proof beyond a reasonable doubt.

Some contend that the not-guilty verdict vindicated the propriety of Captain Greene's conduct and that the Captain should remain on the flag promotion list. However, the Secretary of the Navy has a statutory responsibility to forward his recommendation to the President regarding the qualification of each nominee.

After a review of the courts-martial testimony, the Secretary determined that the gravity of the errors and character flaws exhibited by Captain Greene are significant and could cause an erosion of confidence in his leadership:

- Request for sex. Captain Greene testified that Lt. Felix requested to engage in sexual relations. **It is inappropriate**

cc: Vice President
Chief of Staff

for a senior officer, confronted with a junior subordinate who has requested sex, to then encourage a very close personal relationship.

- Warnings to stop. Captain Greene continued to pursue close personal relationships with Lt. Felix and Lt. Castrucci despite repeated warnings to stop from the two women officers, his seniors and peers. **A prudent senior officer would have immediately modified his behavior and/or leadership style.**
- Letters. Captain Greene used sentiments such as "adored" and "made my dreams come true" in letters to Lt. Felix, and made a familiar allusion to the sexual offer allegedly made by the Lieutenant. **If this relationship was professionally based, Captain Greene should have explained that further personal contacts were improper and must cease immediately.**
- Impact on subordinates. There were repeated signs that Captain Greene's relationships with the two women -- viewed within his division as extending preferential treatment -- **had a detrimental impact on unit cohesion and morale, and a senior officer should have easily recognized this.**

Secretary Dalton determined that Captain Greene engaged in an unduly familiar relationship with Lt. Felix, "pestered" Lt. Castrucci in a manner unbecoming a senior officer and displayed a poor sense of discretion and judgment despite repeated warnings to change his behavior. As a result, the Secretary no longer has full trust and confidence in Captain Greene's qualification to be a flag officer.

The Navy informed Captain Greene on Monday, November 6, that the Secretary was considering a recommendation for his removal from the promotion list. Because of due process, including the Captain's right to submit comments for further review by the Secretary, a final recommendation to you is not expected for several weeks.

1000

Shouldn't this
go to Boalyn
to handle a
response?

DK - but
w/ cc to
Tim Resting

United States Senate
WASHINGTON, DC 20510-0703
OFFICIAL BUSINESS

THE PRESIDENT HAS SEEN
11-10-95

J. Miller
U.S.S.

Leon/Laura
This is very
good (think
give us some
more info on
appearing B

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.

DETERMINED TO BE AN ADMINISTRATIVE

PERSONAL AND ~~CONFIDENTIAL~~

MARKING INITIALS: MI DATE: 9/12/12

2019-0774-5

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 significant 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 be 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 Congress 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

Good

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.

Not a deal

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).

W

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.

W

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

with your good wish

THE PRESIDENT HAS SEEN
11-14-95

Bach to

Rehm

THE PRESIDENT HAS SEEN
11-14-95

THE WHITE HOUSE
WASHINGTON

95 NOV 21 08:41

November 2, 1995

MEMORANDUM TO THE PRESIDENT

From: Bruce Reed
Rahm Emanuel
Dennis Burke *DB*

Subject: The "Safety Valve" and mandatory minimums

You had mentioned that Director Brown believed you had incorrectly stated the law on the "Safety Valve" for mandatory minimums in your Roundtable with the Trotter group on Wednesday.

We have checked the transcript from that meeting and believe that you made a minor misstatement of the law but it by no means had any bearing on your argument.

Your Crime Bill created a "safety valve" to permit judges to apply the sentencing guidelines rather than the statutory mandatory minimum penalties in cases of first-time, non-violent drug offenders. During the interview, you had stated that the judge could ignore the guidelines under the safety valve. However, under the safety valve, what the judge is ignoring is the mandatory minimum -- which is the real issue in this whole debate -- and applying the guidelines instead, which results in lesser sentences. This is a very minor misstatement that does not effect the thrust of your argument.

Without the safety valve, a defendant convicted with 5 or more grams of crack cocaine would have to serve -- at the minimum -- 5 years. However, the safety valve provides an exemption from that mandatory minimum if the defendant 1) doesn't have a significant criminal history; 2) did not cause death or seriously bodily injury; 3) was not an organizer, leader, manager or supervisor; and 4) provided information about the offense to the Government.

The Sentencing Commission predicts that around 600 defendants -- which will be about 3.6% of all drug defendants -- will be sentenced under the safety valve this year and that it will result in an average reduction in a person's sentence of 25%.


These facts support the thrust of your argument to these reporters -- you believe that crack should be punished harsher than cocaine powder; our U.S. Attorneys are in reality busting high-level crack traffickers and not first-time offenders; and you enacted real sentencing reform in last year's crime bill with your "safety valve" provision.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D.C. 20503

NOV - 2 1995 95 NOV 3 P12:22

MEMORANDUM FOR THE PRESIDENT

FROM: LEE P. BROWN 
RE: CRACK PENALTIES

After our discussion this morning at the CADCA event, I reviewed the sentencing provisions of the 1994 crime bill, the Violent Crime Control and Law Enforcement Act of 1994, ("the Act") to ascertain how the crack cocaine sentencing issue was addressed in that law.

Crack Provision

Section 280006 of the act directed the United States Sentencing Commission to submit a report to the Congress relating to sentences applicable to offenses involving the possession or distribution of all forms of cocaine. The study specifically directed the Commission to address the differences in penalty levels that apply to different forms of cocaine, and include recommendations that the Commission may have for retention or modification of such differences in penalty levels.

This directive resulted in the February 28, 1995, report to the Congress that contained the recommendation that the current 100-1 ratio disparity between crack and cocaine which triggers a 10 year mandatory sentence under 21 USC 841 be reduced, and that the penalty structure for simple possession which provides for a mandatory five-year penalty for simple possession of crack but a statutory maximum penalty of one year for simple possession of any other drug also be reviewed. Subsequently, the commission recommended that the penalty for crack crimes be reduced and brought into line with penalties for powder offenses.

The Congress rejected the recommendation of the Sentencing Commission concerning crack penalties in S.1254, which was signed on October 20, 1995.

Limits on Mandatory Minimums

In addition, the Act in section 80001 amended Title 21 by providing a new provision that limits the applicability of mandatory minimums. This is commonly referred to as the safety

valve provision. It provides that in cases where mandatory minimums would apply, the court may depart from the statutory minimum if it finds:

(1) the defendant does not have more than 1 criminal history point under the sentencing guidelines;

(2) the defendant did not use violence, credible threats of violence, or a firearm or dangerous weapon in connection with the offense;

(3) the offense did not result in death or serious bodily harm to any person;

(4) the defendant is not a leader or organizer of the offense under the guidelines, or engaged in a continuing criminal enterprise; and

(5) that the defendant has fully cooperated with the Government concerning information the defendant has concerning the offense.

The Sentencing Commission recently promulgated regulations to carry out the safety valve provision which provide if a defendant meets the test promulgated by this section, the judge may drop the sentence down two levels under the guidelines.

Conclusion

While the safety valve provision may provide relief to some defendants who are subject to the current mandatory crack penalties, this provision applies to all Federal criminal defendants facing mandatory minimum sentences and does not address the underlying disparity in the law between crack and powder cocaine. Also, it permits judicial discretion and therefore is not mandatory. It is the underlying disparity between crack and powder cocaine that is the subject of intense criticism from the Congressional Black Caucus, the media, and other concerned parties.

I trust this is helpful, and look forward to working with you on this matter.

NOV - 2 1995

MEMORANDUM TO THE PRESIDENT

FROM: RBR

RE: Suggested speech/ radio address

Bar
Good stuff
esp. Greenspan part
Be

THE PRESIDENT HAS SEEN
11-14-95

95 NOV 12 P 4: 28

Lifting wages.

"I'm proud of the 7 and a half million new jobs created under my administration. I'm proud that we've halved the deficit. I'm proud that we've restored economic growth and productivity.

"But I'm mad as hell that ordinary workers haven't yet seen this in their paychecks, and I'm going to fight to make sure they do. My strategy for lifting wages is four-fold: (1) give everyone a chance to get a good education and acquire job skills; (2) raise the minimum wage; (3) cut taxes on low-wage workers; and (4) bring workers into true partnership with employers, giving them bonuses when company profits rise (instead of pink slips).

"The Republican majority wants to move in the opposite direction. They aim to cut funding for education and job training by over one-third. They won't raise the minimum wage. They want to raise taxes on workers earning under \$30,000. And they want to give corporations big tax breaks without asking anything in return.

Attachment: Recent speech of Alan Greenspan. Note esp. pp 6-8.

10 25 25 14:10:14 10 25 25 14:10:14 10 25 25 14:10:14 10 25 25 14:10:14 10 25 25 14:10:14
For release on delivery
8:15pm C.D.T. (9:15pm E.D.T.)
October 19, 1995

*See pages:
6-8 in
particulars*

Remarks by
Alan Greenspan
Chairman, Board of Governors of the Federal Reserve System
before
The Economic Club of Chicago
Chicago, Illinois
October 19, 1995

I appreciate this opportunity to address The Economic Club of Chicago. Your organization, founded nearly 70 years ago, has a well-established reputation as a valuable forum for discussion of some of the key economic issues facing the Midwest and the Nation. Tonight I hope to continue that tradition by stepping back from the narrower concerns that occupy much of my time to consider some of the fundamental factors that may shape our nation's economic future, perhaps well into the first decade of the twenty-first century.

Ancient soothsayers may have been able to penetrate the future, but unfortunately they chose to vouchsafe precious few tricks of their trade to today's central bankers. The most effective means we have for looking over the horizon is to try to identify which of the forces currently driving our economy are transitory and which are deep seated and likely to persist in the longer term.

One major deep-seated force that we can identify with some assurance is the trend toward an increasing conceptual content of output--the substitution, in effect, of ideas for physical matter in the creation of economic value. The roots of this trend lie deep in human history, but the pace of such substitution probably picked up in the early stages of the industrial revolution, when science and machines created new leverage for human energy. Nonetheless, even as recently as the middle of this century, the symbols of American economic strength

were our output of such products as steel, motor vehicles, and heavy machinery--items for which sizable proportions of production costs reflected the value of raw materials and the sheer manual labor required to manipulate them. Since then, trends toward conceptualization have focused today's views of economic leadership increasingly on downsized, smaller, less palpable evidence of output, requiring more technologically sophisticated labor input. Our radios used to be activated by large vacuum tubes; today we have elegantly designed pocket-sized transistors to perform the same function--but with the higher quality of sound and greater reliability that consumers now expect. Thin fiber optic cable has replaced huge tonnages of copper wire. Advances in architecture and engineering, as well as the development of lighter but stronger materials, now give us the same working space but in buildings with significantly less concrete, glass, and steel tonnage than was required in an earlier era.

The process is interactive. The development of the insights that brought us central heating enabled lighter-weight apparel fabrics to displace the heavier cloths of the past. The breakthroughs in medical research that have revolutionized health care are only the beginning of a long and growing list of almost wholly conceptual elements in our economic output. Indeed, it is perhaps the hallmark of our age that people are talking about substituting computerized "virtual reality" for real-life experiences!

These innovations are the extension of an established and likely irreversible trend. Over the past century, our standard measure of output of goods and services, adjusted for price change, has increased by approximately three percent per year, but the actual physical tonnage of that output has gone up significantly less. The difference reflects the substitution of impalpable concepts for physical volume. The expanding conceptualization of output has also led to a cumulative buildup of productive capital, which has meant less labor input per unit of output. This is a key to increasing productivity and, with it, our standard of living.

The process of conceptualization in output would seem to have accelerated in recent decades with the advent of the semiconductor, the microprocessor, the computer, and the satellite. Under the circumstances, it has puzzled many of us that the growth of output as customarily measured has not evidenced a corresponding pickup. Of course, output may not be measured correctly--a subject I shall return to later. But it also is possible that some of the frenetic pace of change is wheel spinning--changing production inputs without increasing output--rather than real advances in productivity.

A number of commentators, particularly Professor David of Stanford University, have suggested that much of the wheel spinning, if that is what it is, reflects the long time it typically has taken to translate a major new technology into increased productivity and higher standards of living. For

example, electric power, an innovation of the late nineteenth century, apparently did not fully show through in our productivity data (and one must presume our productivity) until the 1920s. Major infrastructure investments and other changes were needed to realize the potential of the new technology. The same may well be true of modern information technologies: New ways of doing business may be necessary to fully exploit the computing and communications tools now at our disposal.

In any event, realizing the full potential of these powerful new technologies is going to depend on the prevalence of another fundamental of economic growth--competition. We seem to have learned in recent years that growth can be hobbled by unnecessary or poorly designed regulation and by protection of business through barriers to free trade within a country and with other countries. Indeed, the unquestioned lesson of the failures of economic development in Eastern Europe after World War II is that government central planning, was incompatible with a vibrant economy. It suppressed the forces of competition and, almost surely as a consequence, stifled economic progress and growth as well. Virtually all of those countries are now endeavoring to build free-market, competitive economies as rapidly as possible.

The incentives associated with a competitive market are critical in determining the degree to which our endowments of natural resources and human skills are turned into wealth. If market forces are inhibited, wealth creation is almost certain to be disappointing.

It is almost surely the case that the development of the computer industry has done more to enhance the efficiency of American business generally than any other recent phenomenon. While the early development of mainframe computers was heavily concentrated in large corporate enterprises, the industry as we know it today owes much to the subsequent birth and growth of many smaller and more dynamic firms.

It is hard to imagine a more competitive environment than that which developed around the scores of small, "garage" based firms that advanced PC and workstation technologies and created the software that was needed to make computers more useful and "user friendly." These firms have created an industry that is the envy of our trading partners. Many of these garage firms went down the wrong path and fell by the wayside. Even the most successful remain vulnerable to the next successful innovation by a competitor. Schumpeter's view of creative destruction is nowhere more evident than in Silicon Valley. Our world leadership in computing doesn't reflect any government industrial policy; and fortunately, there has been no constraining set of regulations that might have stifled it.

If our superiority in producing computer-based technologies persuasively demonstrates the continuing vitality of our economy, why does such a large part of our populace seem discontented and insecure? There are doubtless many reasons, but the very pace of the conceptualization process I described earlier may provide at least a partial explanation.

As computers and various advanced telecommunications technologies have begun to dominate what it is we produce and how we produce it, the average age of our capital stock has undergone a significant decline. Our current capital stock is becoming obsolete far more rapidly than in past years.

The rapid turnover of this capital stock, and the concepts embodied in it, has important implications for the persons working with that capital. To keep up, to retain their full usefulness as operators of capital, workers are having to retool their knowledge and skills to match the accelerated pace of change. Job insecurity has grown as significant elements of our work force are being rendered technologically obsolete. This is clearly much more the case for older workers than their children who seem to have adjusted to the "computer age" much more readily.

Expanding globalization with its attendant increasing share of merchandise imports may also be adding to a sense of increased competitiveness and insecurity. But globalization directly cannot be a big player because it affects only a relatively small part of our work force--factory jobs, which account for fifteen percent of total employment, and some service activities.

Job insecurity, of course, is not a new phenomenon. It has always been prevalent in free labor markets. But it appears to have become particularly pronounced in recent years, perhaps because the rapid pace of technological change, has occurred alongside, and been associated with, the highly publicized

downsizing of many large corporations. Overall job growth has remained substantial despite these layoffs, but that seems not to have relieved the fear of displacement. And that fear has doubtless played a significant role in the slowdown in the growth of labor compensation as workers have in effect sought to preserve their jobs by accepting lesser increases in wages. While disciplined monetary policy is largely responsible for the disinflationary trends of the last fifteen years, subdued wage pressures have doubtless facilitated those trends.

There will eventually come a point, however, when workers will perceive that it no longer makes sense to trade off wage progress for incremental gains in expected job security. The concern about job loss will not have diminished, but there is a limit to how far it can go and hence to its effect on wage increases. At that point, efforts to achieve real wage gains at least commensurate with productivity improvements may exert pressures toward faster nominal wage increases.

Obviously, if an acceleration is accompanied by stable inflation and hence a growth in real earnings, that is all to the good. But we have to be careful not to lull ourselves into the presumption that somehow the institutional structure of the American economy and its increasing globalization is permanently suppressing inflation, and that monetary policy, as we move into the twenty-first century, need no longer be vigilant against inflationary pressures.

(*)

This is who was picked up by the press

Here's the
part on
education
and
fraud

Also contributing to the prevailing dissatisfaction with our economic performance is the unevenness of wage gains in recent years. As output increasingly embodies ideas, labor force adaptation requires education. Not surprisingly, there has been a trend toward rising relative wages for those with higher levels of education. During the past fifteen years, the earnings of college graduates have increased relative to those who are high school graduates and, in turn, high school graduates have continued to open up their advantage over those who are high school dropouts. In fact, an increasing minority of our labor force has experienced real wage decreases, and surely this fact has accentuated unease, despite increases in living standards, on average, for our populace.

Clearly, we must focus on ways to improve the skills and earning power of those who appear to be falling behind. We need to raise the supply of better educated workers if the recent trend toward rising wage dispersion is to be contained. In the long run, better child-rearing and better schools are essential. But in the shorter run, on-the-job training is a critical necessity--to overcome the educational deficiencies of all too many of our young people, and to renew the skills of workers who have fallen behind the rapidly rising curve of technological change. It has become quite apparent that many firms have concluded that it makes more sense to invest in such training than to bid up wage scales in a zero-sum competition for the existing limited pool of well-qualified workers. The bottom

line, though, as I indicated earlier, is that individuals are going to have to be prepared to maintain skills as new procedures and equipment become part of a rapidly evolving economy.

Finally, the changing nature of output also has important effects on how good our statistical measures are in capturing the reality of economic growth and thus our perceptions of it. If we do not know how we are doing as a society, we shall not be able to devise appropriate policy responses to changing environments. The proliferation of cutting-edge technologies is making it especially difficult to measure how well or poorly our economy is performing overall.

We depend on signals from the marketplace to judge what is adding value and providing utility and what is not: The structure of prices and quantities that derive from free-market interactions is a reflection of the relative worth of various goods and services. If people like what they are offered, they will buy, sales values will rise, and the market value of the capital assets that produce those goods will rise as well.

The aggregate market value of goods and services, that is the Gross Domestic Product, is an especially useful measure of our productive capabilities. Its major component, gross business product, is in effect the consolidated net sales of the economy.

These measures are not meant to be definitive measures of the general well-being of a society. Increases in crime and pollution, for example, tend to raise the outlays to combat them

and hence to raise the GDP. Depletion of natural resources in the production process adds to business output and GDP.

GDP is strictly a measure of economic output and, when measured against labor and capital inputs, a measure of productivity. Whatever its shortcomings, it is by far the best proxy that we have for the growth in our living standards.

Our conventional GDP measures for recent years exhibit some indications of a step up in productivity growth. But, in December, the Department of Commerce will officially shift the focus to a new measure of economic growth. In so doing, it will adjust for one bias in the current measure and--all other things equal--the result will be that reported growth in output and productivity in the last few years will be shown to be slower than current measurement formulas have been indicating. I should point out that the new output index has been calculated for some time as an experimental basis; consequently, it should hold no surprises for policymakers. But unless there are offsetting changes in the data owing to other revisions, new figures will accentuate the seeming conflict between the official statistics and what is suggested by the rather compelling reports of productivity improvement we hear from American businesses. This leads to a broader question. Setting aside the narrow technical issues of our formulas for aggregating diverse output, are we measuring the output itself properly? Have we been capturing the new types of value added which do not fall into our conventional accounting categories?

We never had any difficulty in recognizing that an integrated steel mill complex was of economic value, and it was appropriately categorized as capital investment in our gross domestic product. And we could see the addition of a steel mill or similar large capital asset at individual companies reflected in a comparable increment to the book value of the firm. The stock market values of the firm tended, to a greater or lesser extent, to match the book value that standard accounting procedures constructed. In recent years, though, the ratios of market to book values of American companies have risen substantially, and at a pace that appears to be faster than can be accounted for by declines in interest rates and equity risk premiums. What appears to be happening is that the increasingly important additions to the nation's capacity to produce, in the form of new wealth-creating ideas are by convention expensed rather than capitalized.

As a consequence, book values underestimate the true value of an apparently rising proportion of our companies. And because such outlays are also expensed in the construction of the GDP, it, too, increasingly underestimates the market value of goods and services. For example, capitalizing that part of corporate software outlays that are currently expensed would add--probably significantly--to measured capital investment. The same would be true of similar types of outlays that are currently expensed, such as those for research and development, some technical work force training, and other conceptual inputs. To

be sure, the net domestic product would not increase by the full amount of capitalization, because a substantial increase in depreciation is also implicit in such changed accounting procedures.

Clearly, we should allow market valuations, where they exist, to dictate what is capitalized and what is not, rather than leave it to accountants and accounting practices. It is market values that generally reflect what an economy believes is of value to it. In this context, it is reasonable to conjecture that our productivity and output have been growing faster than our existing data imply.

Even with such adjustments, we may still not be fully capturing the improvements in economic value and well-being that occur as a consequence of the extraordinary innovations in technology of late. Arthroscopic surgery has significantly shortened hospital stays and the quality of recovery from such surgical procedures. Supermarket check-out lines have been speeded, as have the accuracy of computation and payment. These types of value added, which enhance the quality of life, are not captured by our conventional national income accounting. Similarly, while mobile phones, cable TV, and satellite transmission are included, in part, in many of our measurements, the greater opportunities that they bring cannot be appropriately embodied in current GDP measurements. Moreover, the innumerable conveniences that have enhanced leisure and made day-by-day living less onerous are not captured either. While such factors

have always been mismeasured in our GDP to an extent, and there is the possibility that some elements of our GDP are overestimated, one gets the impression that, with increased conceptualization the relative bias has been increasing. The implication is that, properly measured, economic output has been growing faster than conventional measures suggest.

Moreover, as we move into the twenty-first century, there is scant evidence that the nature and pace of change is likely to slow materially. To be sure, the most visible force of recent change, the continuous downsizing of microprocessors, and hence computer and telecommunications equipment, may increasingly encounter physical limits. But almost as surely, new technologies will emerge, not now visible.

What we do know is that, excluding the sorrowful period of the Dark Ages, human knowledge has rarely been lost, nor technology reversed, and so one can presume that we will evolve in the twenty-first century and beyond in ways not now foreseeable. We can anticipate change to be pervasive and, if competitive forces are allowed free rein, and our fiscal problems resolved, we can expect ever higher living standards for all Americans.

Will Americans adjust to a frenetic pace of change and allow it to happen? While we have in the past, and almost surely will in the future, it is important that we recognize that adjustment is not automatic. We have episodes in recent human history where, for example, pressures of change were not easily

absorbed and people chose what appeared to be a greater degree of security rather than competitive challenge. Competitive forces create uncertainty and dislodgment, but they also bring with them an enhanced quality of living and the increased economic abundance so necessary to confront the problems that exist in societies throughout the world.

The advent of the twenty-first century will certainly not bring an end to the challenges we are facing in a rapidly changing world. From my viewpoint, however, there are a number of positive things happening in our economy now, that make it more likely that we shall be well positioned to meet those challenges successfully.



THE PRESIDENT

11-15-95

Stung -

Here's the letter I told
you about -

Thanks,

Bin

Sent to Congressman Hoyer.

November 2, 1995

Roy M. Spence, Jr.
403 Lake Cliff Trail
Austin, TX 78746
512/327-8810 AM
512/327-8628 PM

Washington Post
1150 15th Street N.W.
Washington, DC 20071

To the Editor:

It was with astonishment that we read Meg Greenfield's article in Sunday's *Post*, asserting that President Clinton in effect apologized for the 1993 tax increase and blamed his fellow Democrats for having to do it. We were astonished because we were at that particular event in Houston to which she alluded, and she was not. We have talked with dozens of people who were there and no one could comprehend the total distortion of her article. The President was with people whose taxes he raised. But he did not back off one bit. Meg Greenfield chose to take one sentence out of context and tell the country the President said something very different from what we who were there heard.

President Clinton very directly told us that no one likes to raise taxes, but he and the congressional Democrats did the right thing with the deficit reduction package. He did not blame the Congress. Nor was he "looking for ways to save himself at his own party's and colleagues' expense." He pointed out that he and then Secretary Lloyd Bentsen worked with the Democratic leadership to put together a \$500 billion deficit reduction plan.

The President went on to other decisions he made that have met with fierce opposition from powerful special interests—passing the Brady Bill, banning assault weapons, restoring democracy in Haiti, helping Mexico, etc. He defended all of these decisions as the right thing for America in the 21st Century. To those of us who were actually there in Houston and who live and work outside the Beltway, this article's criticism of the President seems to us another example of the Washington insiders' game of "gotcha."

By misrepresenting the meaning of the President's remarks to the American people who were not in the room that night, reprinting this article has done a disservice to the public unworthy of a great and influential newspaper.

Roy Spence
Austin, Texas

cc: President Bill Clinton

P.S. This letter reflects the opinions of the following individuals who also attended the Houston event:

Al Acevedo, San Antonio
Carri L. Baker, San Antonio
John C. Baldwin, Houston
Monty Baer, San Antonio
Kay Bell, Houston
Nancy T. Beren, Houston
Ruben Bonilla, Corpus Christi
Cathy Bonner, Austin
George Bristol, Austin
Toby & Greg Brown, Houston
Tony Campos, Houston
Kim A. Cockins, Brownsville
Tim Crowley, Houston
Glenn Douglas, Houston
Tim Douglass, Houston
George W. Durazzo, Jr., San Antonio
Senator Rodney Ellis, Houston
Janice Gerber, Houston
Lukin T. Gilliland, Jr., San Antonio
H. Lee Godfrey, Houston
Andres Gonzalez, Austin
Monica Gonzalez, San Antonio
Norma Gonzales, San Antonio
Victor Gonzalez, Austin
Daniel Gustafson, Austin
Steve Gutow, Austin
Larry S. Jefferson, M.D., Houston
Philip Kanayan, Spring
Leslie & Hedley Karpas, Houston
Heidi Kirkpatrick, Houston
Ann L. MacNaughton, Houston
Anne Macy, Houston

David T. Marks, Houston
Garry Mauro, Austin
Councilwoman Ruth Jones McClendon, San Antonio
Phyllis & Bernard Milstein, Galveston
David M. Mincberg, Houston
Azie Taylor Morton, Austin
Roy Mullin, Austin
Henry R. Munoz, III, San Antonio
David G. Oliveira, Brownsville
Karol Rice, Austin
Jennifer & Alan Rosen, Houston
E. Jay Rosenstein, Houston
Dan Ruiz, Austin
Joyce & Arthur Schechter, Houston
Edle Schnaltter, San Antonio
Richard Secord, Jr., San Antonio
Richard Shaw, Houston
Gus Stern, M.D., Brownsville
Pat Pliego Stout, San Antonio
Judy Trabulsi, Austin
Jack Warren, Houston
Joe Bill Watkins, Austin

THE PRESIDENT HAS SEEN
11-1495

November 7, 1995

95 NOV 7 P3:39

MEMORANDUM FOR THE PRESIDENT

FROM: DOUG SOSNIK AND KAREN HANCOX

SUBJECT: ELECTION NIGHT CALLS

Below is a suggested list of phone calls or possible phone calls for you to make to Democratic candidates tonight, following the elections. We will have phone numbers later in the day.

Polls in the most important states close as follows (all times are Eastern)

- Kentucky -- 6:00 p.m.
- Mississippi -- 8:00 p.m.
- New Jersey -- 8:00 p.m.
- Virginia -- 7:00 p.m.

I should do letters to winners to let them know they have friends too

California:

San Francisco Mayor's Race

Willie Brown, Roberta Achtenberg and Frank Jordan (incumbent) are neck and neck in this non-partisan race. If one candidate does not receive 50% plus one there will a run-off. We expect this race to go to a run-off which will be December 12. We will wait to have you call when there is a winner.

Connecticut:

Sturford
Bridgeport Mayoral, Incumbent Joseph Ganim (only if he wins)
New Haven Mayoral, Incumbent John Destefano (only if he wins)
Waterbury Mayoral, Incumbent Edward Bergin (only if he wins)
We expect all three incumbent Connecticut mayors to win re-election.

And Peter - Bud, Conn

Iowa:

Arthur Davis, candidate for Des Moines Mayor

Davis is the former state chair and running, in an open seat race, against a Christian right candidate. Davis is currently trailing, but because it is Iowa and because Davis is a former state chair, a call from you would be helpful. CALL

Kentucky:

Governor's race, Lieutenant Governor Paul Patton

Patton is running against Larry Forgy in an open seat race. The race is too close to call. We will have you call, win or lose. CALL

Maine:

State House Special Elections:

There are two special elections in Maine. We are expected to win one seat, the other is a toss-up. The current balance of the House is 75R-74D. We need to win both seats to maintain control of the House. If we win just one seat, Republicans will control the House.

AS in also

Maine:

Minority Leader Gwadowsky (Note: he still goes by Speaker)
He is a current member of the House and was Speaker until
Republicans took control of the House. He has worked very hard in
these specials, and is a strong supporter of yours. He should be called,
regardless of what happens, to thank him for his hard work. CALL

Maryland:

Baltimore Mayoral, Incumbent Kurt Schmoke
Schmoke will win re-election. CALL

Massachusetts:

Springfield Mayoral, Charles Ryan or Michael Albano
There are two Democrats in the run-off. We will hold this seat.
CALL

Worcester Mayoral, Incumbent Raymond Mariano
We will have you call only if we win. POSSIBLE CALL.

Michigan:

Incumbent Mayor Woodrow Stanley, Flint
Stanley is expected to win. CALL

Mississippi:

Governor's Race, Dick Molpus
Molpus is running against incumbent Kirk Fordice. The race is too
close to call. We will have you call, win or lose. CALL
Lt. Governor's Race, Ronnie Musgrove (only if he wins)

New Hampshire:

Manchester Aldermanic Races, Incumbent Bill Cashin (D)
Will probably win. CALL (all of the candidates will be together)
Nashua Mayoral
Seven candidates, probably will be a runoff. If the race is between
Republican and Democrat, then POSSIBLE CALL to Democrat would
be helpful since most of the Democrats are early Clinton supporters

Keene Mayoral Race, Challenger Pat Russell (D)
We expect to hold this seat. CALL

Concord Mayoral Race, Incumbent William Veroneau (D)
The Mayor should hold the seat. CALL

Portsmouth Mayoral Race, Incumbent Eileen Foley (D)
The Mayor should hold the seat. CALL

New Jersey:

Hudson County Executive, Incumbent Bobby Janiszewski
We expect to hold this seat. CALL

New York:

Erie County Executive, Incumbent Dennis Gorski (only if he wins)
We expect to hold this seat. POSSIBLE CALL

Albany County Executive, Michael Breslin (only if he wins)
We expect to hold this seat. POSSIBLE CALL

Yonkers Mayoral, Terence Zaleski (only if he wins)
This will be a close race; turn-out will be critical. POSSIBLE
CALL

TX

Lemin - vs [unclear], vs [unclear], vs [unclear] - 82-9

Ohio:

Akron Mayoral, Incumbent Donald Plusquellic

We expect to hold this seat. POSSIBLE CALL

Cincinnati Mayor Roxanne Qualls, the top vote getter in the city council gets the title of "Mayor." It is unclear in this structure, who will be the top vote getter. It is likely, Roxanne Qualls will become mayor again. The Democrats should retain the seat. POSSIBLE CALL

Pennsylvania:

Philadelphia Mayoral, Incumbent Ed Rendell

Rendell will win. CALL

South Carolina:

Mayor Joe Riley

Expected to hold his seat, in a tough fight. POSSIBLE CALL

Virginia:

Legislative Races, Majority Leaders of both Houses

We will have you call the leaders, if we maintain control. POSSIBLE CALL

Washington:

Mayoral race, Democratic candidate Brian Ebersole, Tacoma.

This would be a pick-up for Democrats. POSSIBLE CALL.

November 8, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: DOUG SOSNIK AND KAREN HANCOX

SUBJECT: ELECTION RESULTS

Below is a summary of last night's election results.

Arizona: Democratic mayor George Miller was re-elected with 55% of the vote in Tucson.

CityVote, held in Tucson, had President Clinton leading the field by an almost two-to-one margin over retired General Colin Powell.

Arkansas: **State House Special Election**
Olan Cooke (D) won with 54% of the vote
(Open seat previously held by a Democrat)

California: **San Francisco Mayoral (with 302 of 543 precincts reporting:)**
Willie Brown 34.1%
Roberta Achtenberg 26.9%
Frank Jordan (incumbent) 34.4%

Connecticut: ✓ **Bridgeport Mayoral**
Incumbent Joseph Ganim (D) won with 85% of the vote.

✓ **New Haven Mayoral**
Incumbent John Destefano (D) won with 78% of the vote.

Waterbury Mayoral
Edward Bergin (D) 47%
Phil Giradano (R) 53%

✓ **Hartford Mayoral**
Mike Peters (D) 86%
Horton Scheff (R) 14%

New Britain
Democrat Lucian Pawlak picked up this seat with 64% of the vote.

Iowa: **Des Moines Mayoral race**
Arthur Davis (D) 56%
George Flagg (R) 44%

Kentucky:

✓ **Governor's race**
Lt. Gov. Paul Patton (D) 51%
Larry Forgy (R) 49%

Maine:

State House Special Elections:
Democrats won both special elections. Ralph Carr in the 124th District won with 57% of the vote and Shirley Richard in the 97th District won with 64% of the vote.
Question 1 was defeated by 52% - 48%.

Maryland:

✓ **Baltimore Mayoral**
Incumbent Mayor Kurt Schmoke won with 78% of the vote.

Massachusetts:

Springfield Mayoral
Michael Albano (D) defeated Charles Ryan (D) in a run-off.

Worcester Mayoral
Incumbent Raymond Mariano won with 79% of the vote.

Michigan:

✓ **Flint Mayoral Race**
Mayor Woodrow Stanley (D) 71%
Don Williamson (R) 29%

Mississippi:

✓ **Governor's Race**
Dick Molpus (D) 45%
Kirk Fordice (R) 55%
(note: this was taken with 92% of precincts reporting.)

Lt. Governor's Race
Ronnie Musgrove (D) defeated incumbent Lt. Governor Eddie Briggs.

New Hampshire:

✓ **Manchester Aldermanic Races, Incumbent Bill Cashin**
Bill Cashin (D)

✓ **Keene Mayoral Race, Challenger Pat Russell**
Pat Russell

✓ **Portsmouth Mayoral Race, Incumbent Eileen Foley**
Eileen Foley (D)

Nashua
Run off on December 12 between Tom Davidson (R) and Carl Andrade (D)

New Jersey:

✓ **Hudson County Executive**
Incumbent Bobby Janiszewski won with roughly 70% of the vote.

New York:

Erie County Executive

Incumbent Dennis Gorski (D) won by a twenty point margin.

Albany County Executive

Michael Breslin (D) won by a ten point margin.

Yonkers Mayoral

Terence Zaleski (D) 43%

John Spencer (R) 57%

Staten Island District Attorney

Bill Murphy (D) 65%

Guy Molinari (R) 30%

(Note: this was Molinari's first loss ever in eleven elections. Molinari is Republican U. S. Representative Susan Molinari's father and he is a big New York operative for Senator Al D'Amato.)

Ohio:

Akron Mayoral Race

Mayor Donald Plusquellic (D)- Declared Winner

No opponent-

Cincinnati City Council Race

Mayor Roxanne Qualls(D) - Declared Winner

Hemlick (R)

Tillery (D)

Pennsylvania:

Philadelphia Mayoral

Incumbent Ed Rendell won with roughly 70% of the vote. (Note: voter turnout was the lowest in Philadelphia's history.)

Allegheny County Commissioner

In Allegheny County, two Republicans and two Democrats run in the general election -- the three top vote-getters are elected as County Commissioners. The results were:

Dawida (D) 27%

Dunn (R) 26%

Cramner (R) 24%

Vuono (D) 23%

The Republicans claimed victory in the race since they were successful in winning two of three slots. Democrats Mike Dawida and Colleen Vuono are claiming voter irregularity and plan to call for a recount. Vuono came in roughly 350 votes short of placing third.

South Carolina: **Mayor Joe Riley (D)- Winner**

Texas: Incumbent Mayor Bob Lanier was re-elected with 84% of the vote over two opponents in this non-partisan race.

Utah: Incumbent Mayor DeeDee Corradini (D) was re-elected by a slim 51% - 49% margin.

Virginia: **Legislative Races**
Democrats maintained control of the Virginia House (52 D, 47R, 1I) and tied the Virginia Senate (20D-20R). With the Senate tied, Democrats will remain in control because Democratic Lt. Governor Don Beyer serves as President of the Senate.

Washington: **Mayoral race, Democratic candidate Brian Ebersole, Tacoma.**
Ebersole (D) was leading by a 2 - 1 margin with 65% of the vote counted.

Also in Washington State, a controversial takings initiative was soundly defeated 60% - 40%, despite last minute polls showing the initiative with strength in the final weeks.

As for CityVote in Washington State, President Clinton came in first out of 21 candidates in every city in the state that participated. Powell was second, and Dole placed third.

Two state senate races that were closely watched were split, one being won by a Republican and the other by a Democrat. Returns in these races were incomplete however.



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

THE PRESIDENT HAS SEEN
11-14-95

Kathleen A. McGinty
Chair

95 NOV 7 P 5 : 42

November 7, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN MCGINTY
CC: LEON PANETTA
RE: ARCTIC SLOPE REGIONAL CORPORATION

I received your note on the Arctic Slope Regional Corporation (ASRC). Attached is the draft response to the November 2nd letter you received from the ASRC and the Inupiat Native community. There are deep divisions among the Alaskan Native community on the issue of oil and gas drilling in the Arctic National Wildlife Refuge (ANWR).

Also attached is an article from the Wall Street Journal which describes the Inupiat and the Gwich'in Native communities' views on the issue. The Inupiat leaders support opening the wildlife refuge to drilling. The Gwich'in community opposes drilling and is concerned about the fate of the Porcupine Caribou Herd if drilling is allowed.

The Inupiat Native community has benefitted greatly from oil and gas development on Alaska's North Slope. Inupiat are residents of the North Slope Borough, Alaska's single biggest Alaska-owned corporation with revenues of more than \$460 million. The Inupiat of Katovik have an average income of \$47,000 per person. The Gwich'in Native villages are, in contrast, quite poor. They strongly oppose drilling because they are subsistence hunters and any diminution of the caribou herd will cause their tenuous existence to become even more so.

Your Administration has stated many times that we should prohibit oil drilling in this biologically-rich wilderness of the ANWR while ensuring that Native communities can use these lands for traditional hunting and fishing. We have underscored that the rest of the coast is open for development, that we are in fact seeing new development in other coastal tracts and that it is only this small area -- 110 miles -- that is being preserved.

The lobbying campaign on behalf of the Inupiat demonstrates the financial clout and sophistication they can call into play -- they and their oil company partners are represented by some of the best lobbying firms in the city. The Department of the Interior, at a briefing today for White House offices, claimed that Inupiat revenues from oil should continue well into the next century. They are not in danger of sliding back into poverty. They also claim that oil revenues in Alaska will continue at a healthy rate, and, depending on world oil

prices, Alaska's status as a state with no income tax, one of the lowest gasoline taxes in the U.S. and no state sales tax is not jeopardized. Every Alaskan, man woman and child receives a substantial yearly payment due to oil revenues. This year's dividend of \$990.00 was the highest since the inception of the program.

November 6, 1995

Ms. Alma M. Upicksoun
Assistant House Counsel
Arctic Slope Regional Corporation
1050 Thomas Jefferson Street, N.W.
Seventh Floor
Washington, D.C. 20007-3877

Dear Ms. Upicksoun:

Thank you for your letter offering the views of the Arctic Slope Regional Corporation regarding the question of whether the coastal plain of the Arctic National Wildlife Refuge should be opened to oil and gas leasing.

As you recognize in your letter, I have long opposed opening this fragile and unique area to drilling. The Arctic National Wildlife Refuge is one of America's great natural areas. The coastal plain is the biological heart of the Refuge and includes the core calving grounds of the Porcupine Caribou Herd, on which many Alaska Natives depend for subsistence, as well as a wide diversity of other wildlife, from snow geese to polar bears.

My Administration strongly supports the development of oil and gas resources in areas where such development can proceed without damage to the environment. As you are aware, over 90% of Alaska's Arctic coastal plain is currently open for oil and gas exploration and development. However, we do not believe that such development would be appropriate in the Arctic National Wildlife Refuge. To the contrary, recent assessments by the U.S. Fish and Wildlife Service confirm the probability of significant damage to the wildlife and wilderness resources of the coastal plain from proposed development.

The deep divisions among the Alaskan Native community that have arisen over this issue are of great concern to me. I continue to support economic development opportunities for the Alaskan Native communities. Having signed technical amendments to the Alaskan Native Claims Settlement Act, I am committed to working with the Alaskan Slope Regional Corporation and the native communities to develop the opportunities that are available.

Sincerely,

Fates of Alaska Tribes May Ride on Impact Of Drilling in Refuge

Inupiat Need Oil's Income; Gwich'in Fear Extinction If Caribou Are Driven Off

'I Cry for My Grandchildren'

By ALLANNA SULLIVAN

Staff Reporter of THE WALL STREET JOURNAL

ARCTIC VILLAGE, Alaska — After a tortuous journey through the mud and underbrush, Sarah James stands on the lip of a mountain and scours the terrain below for caribou.

From her village, which in the distance looks like a smudge pressed into the Arctic landscape, seven caribou had been spied earlier in the day. As the first of the migration north, they were allowed to pass unhunted; the elders of Ms. James's Gwich'in Indian tribe say that to kill those first caribou is a sign of disrespect and will discourage the herd from following.

But now, with a raw wind whipping across the tundra, where patches of grass and scraggly bushes are already winter gray, there isn't a hint of the animals anywhere. "Maybe they will come tomorrow," says the Indian woman, her long gray hair blowing across her face.

Maybe not. If the oil industry has its way and is allowed to drill in the Arctic National Wildlife Refuge, the Gwich'in say, the caribou migration on which they depend could be devastated.

A New Debate

For years, the bitter debate over development of the wildlife refuge has centered on broader environmental concerns, such as what would happen if there were an oil spill similar to the 1989 disaster involving the Exxon Valdez. The oil companies, for their part, defend their environmental record and say that new technology will allow them to develop new finds in the Arctic without doing serious damage (see article on page A5).

These days, though, much of the controversy is about caribou — specifically the Porcupine Caribou Herd, which roams northern parts of Alaska and Canada. At about 150,000 strong, the herd is to the Gwich'in what the buffalo were to the Plains Indians in past centuries: the center of their culture and subsistence. And part of the 19 million-acre wildlife refuge, where the oil companies are frantic to sink their wells, is the site of the birthing grounds — the virtual nursery — for that herd, the Indians say.

"Development of the refuge would be a form of genocide against the Gwich'in," says Ms. James, who lives in Arctic Village, one of 15 Gwich'in settlements sprinkled along the U.S.-Canadian border.

Scientists say it is unlikely that the Porcupine Herd would be wiped out if there were oil development in the wildlife refuge. But the disturbance caused by drilling there could well result in a lower birth rate and cause the herd to shrink. A smaller herd wouldn't travel as far to forage, perhaps altering its migratory path. "And if the caribou don't pass near the Gwich'in, they don't exist for those people," says biologist Kenneth Whitten, who spends much of his time tracking caribou migration for Alaska's Fish and Game Department. "They can't afford to charter planes to track them down" as sportsmen do.

Tribal Windfall

But the battle here doesn't just pit the Gwich'in vs. Big Oil. Another native Alaskan group, the Inupiat Eskimo of the far north, backs the industry in its efforts to have Congress open the refuge to drilling.

By native Alaskan standards, the Inupiat have gained enormous riches from the huge quantities of oil tapped from their lands strung out along the edge of the Beaufort Sea. But they say their situation is just as desperate as that of the Gwich'in, many of whom live in destitute villages.

With the output from the oil fields of the North Slope slowly dwindling, the Inupiat say, it is crucial that the refuge be developed. Although the federal government controls the refuge, the Inupiat hold subsurface mineral rights there, which could well provide them a windfall if the land is successfully drilled. That would allow the Inupiat to keep enjoying the lifestyle to which they have grown accustomed.

Financial planners in the northernmost Eskimo town of Barrow warn that revenue available to the Inupiat — the bulk of it derived from property taxes the oil companies pay to the group — would drop from \$326 million this year to \$230 million in 2005 without drilling in the wildlife refuge.

'It Will Be Devastating'

A project just getting under way, to hook up all Inupiats to running water and sewage lines, could be their last major capital endeavor. Within a decade, the Eskimo nation would be able to do little more than maintain what infrastructure they have. And with the rugged climate sure to take its toll, how long they would be able to do even that is in question.

"We don't want to return to the poverty and hardship of our past," says Brenda Itta, an influential Inupiat who remembers as a child hauling blocks of ice by dog sled for miles to melt for drinking water. "If the refuge isn't opened, it will be devastating to the Inupiat."

At this point, it appears likely that the Inupiat will be the winners in this struggle, the Gwich'in the losers. A provision to open the wildlife refuge to development is included in the versions of the budget that have cleared both the U.S. House and

Please Turn to Page A6, Column 1

Continued From First Page

Senate. The Senate plan has some steps designed to mollify the Gwich'in, including stipulating that the oil companies can't drill during the time the Porcupine Herd of caribou gives birth. Still, the Gwich'in worry that even these measures won't be enough to prevent a major disruption of the herd's migration pattern. And they are counting on President Clinton to make good on his threat to veto the Republican budget.

Meantime, tension between the two groups — whose closest villages are only 100 miles apart — has escalated. The Gwich'in, who claim to have been in this part of the world since before the Roman Empire marched on Egypt, say the Inupiat are simply tools of the oil companies. The Inupiat, who are presumed to have crossed the land bridge from Asia many thousands of years ago, say the Gwich'in are pawns of the environmental community.

The environmentalists "think having the aboriginal Gwich'in on their side is glamorous," says Joe Upicksoun, an executive with Arctic Slope Regional Corp., an Eskimo-run company based in Barrow with an interest in energy projects. Sitting behind his desk in the company's headquarters, he clenches his fists and grimaces. "It really gets my goat."

The fight has spilled into the halls of Congress, where members of the Gwich'in and Inupiats have been buttonholing every lawmaker they can. They have called news conferences, run newspaper ads and scrapped with each other for support from other native groups.

The Inupiat also played host all summer to various members of Congress at the behest of the oil lobby. They treated the visiting dignitaries to feasts and cultural dances in a tent pitched on a dirt-packed beach that the Inupiat sometimes use for their whaling festivities. Although the Inupiat hunt caribou — not the Porcupine Herd — their cultural identity is most closely tied to twice-yearly expeditions for bowhead whales, using sealskin umiaks.

Eggs and Stilts

The Inupiat also showed the visiting lawmakers what oil dollars have done for them. Barrow is hardly Paris on the Beaufort, with its muddy unpaved roads that wind willy-nilly past tiny homes on stilts, a cemetery ablaze with colorful paper flowers embedded in the tundra, even a Mexican restaurant that serves eggs with salsa for breakfast.

But since the oil companies began producing there almost 20 years ago, the eight Eskimo towns that make up the North Slope Borough have gained many amenities. Most of the Inupiat now live in prefabricated homes with running water and plumbing. They have telephones and washers and dryers.

The Inupiat are especially proud of the school system they have built, with each town boasting its own educational facilities. It was only several decades ago that Alaskan natives were shipped out during their teen years to government-run schools, sometimes located thousands of miles away. Middle-aged Inupiat parents angrily remember being physically punished for speaking their native language, rather than English, in those schools. Now, the children can stay at home.

But if the Inupiat are the haves, the Gwich'in are the have-nots. Arctic Village, where homes are heated by empty oil cans converted into wood-burning furnaces, hasn't gotten the congressional traffic of Barrow. Some of the wooden houses, their joints stuffed with rags and other makeshift insulation, are the size of large walk-in closets. Only two have indoor plumbing.

One of the few lawmakers to make the trek here was Alaska's Frank Murkowski, chairman of the Senate Energy Committee, who is leading the push to open up the refuge. The Arctic Village Gwich'in, the primary advocates for native opposition, prepared a feast of caribou and sheep to honor his visit in August.

"I told the senator that I didn't want my grandchildren reading about the caribou in history books," Fanny Gemmill says.

The appeals didn't work. Sen. Murkowski says he believes the Gwich'in are sincerely fearful about the fate of the Porcupine Herd, but is confident that their concerns are misplaced. He argues the Eskimo 20 years ago expressed similar worries about what drilling in the North Slope would mean for the wildlife there, only to discover that the area's caribou population has grown. The Gwich'in, he says, are being "fueled by their emotions," not facts.

Inside the worn-out log-cabin structure that serves as the village's council hall, the tribal council of Arctic Village continues to plot strategy. Several of them have been chosen to return to Washington to keep lobbying. Gideon James, a former chief, stands up to say that the Gwich'in position must be clarified for lawmakers, many of whom believe the tribespeople are either environmentalists or looking for some financial incentive in return for backing away from their position. Some Gwich'in point out that they even once drilled for oil themselves—just not in an area that would

alter the caribou migration.

"We aren't antidevelopment. We aren't environmentalists," Mr. James says in a booming voice tinged with anger. "We just don't want any drilling where the caribou have their calves." The rest of the council, sitting in broken-down chairs, nods its approval.

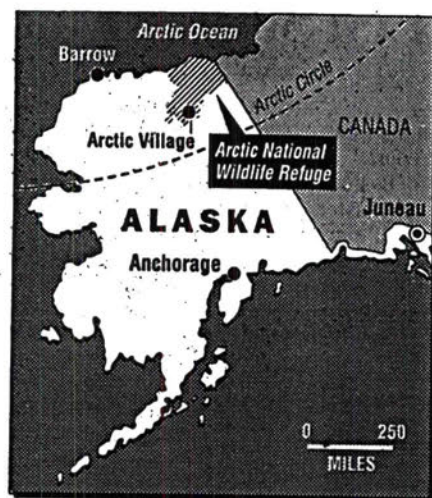
Natal Grounds

As part of their migration, all caribou in the region head north every spring to have their calves on the coastal tundra, where strong breezes help them escape the swarms of mosquitoes that harass any living being in the Arctic during the warm summer months. On the way, large chunks of the herd pass close to several Gwich'in habitats, including Arctic Village. The herd spreads out across the scrubby grasslands during the height of the migration, dotting the landscape to the horizon. They retrace their path in late summer, providing the tribe with two hunting seasons.

According to the Fish and Game Department, Porcupine caribou calves are born during the migration on the flat grasslands between the Aichilik and Hulahula rivers, an area that is predator-free and offers lush grazing. But, confirming the Gwich'ins' greatest fear, it also is in the middle of the wildlife refuge, almost smack on top of where the oil companies want to drill.

Virtually every major oil company, from Exxon Corp. to Chevron Corp. to British Petroleum PLC, is interested in the refuge. And though the industry is loath to talk about the Gwich'ins' situation, executives say they are aware of keeping the environment as pristine as possible. "We have demonstrated . . . at Prudhoe Bay that we can develop and operate with minimal impact on the caribou," says Ronald Chappell, a spokesman with Atlantic Richfield Co.'s Alaskan unit.

The Gwich'in, whose name means "the caribou people" in their Athabaskan tongue, share with their fellow villagers whatever caribou they kill. Even Gwich'in



villages without access to the Porcupine Herd—several aren't on the migratory route—partake through a complicated network of trading and gift-giving. Although they eat other game as well, caribou is considered a primary food source.

Shared Poverty

Warren Matumeak, an Inupiat whose role among his people is akin to an elder statesman, says he is sympathetic to the Gwich'ins' plight. Although the two groups have waged war in centuries past, he says they maintain a similar dedication to their cultural heritages. "The Gwich'in are just afraid, as we were 20 years ago when the oil companies started to work on the Prudhoe Bay field," Mr. Matumeak says. "I thought the drilling would hurt the caribou. It didn't."

But his voice hardens as he recalls the poverty the groups once shared as well. Mr. Matumeak, 67, expresses grief as he remembers how the harshness of everyday life brought death to his five-year-old brother and then his mother. And he vividly recalls sleeping on the floor of a 12-by-16 sod house with the rest of his family; the mornings without breakfast when there wasn't enough food, and his endless days as a reindeer herder on the tundra.

If no more oil is found on the North Slope, he says, "I cry, not for myself, but for my grandchildren."

THE PRESIDENT HAS SEEN

11-14-95

THE WHITE HOUSE
WASHINGTON

95 NOV 10 P 3: 48

November 10, 1995

MEMORANDUM TO THE PRESIDENT

FROM: LAURA D'ANDREA TYSON *Law*

RE: CEA RESPONSES TO WEB QUESTIONS

Attached please find a memo to me from CEA economist Bob Murphy providing answers to your questions on the Weekly Economic Briefing for October 13, 1995. The materials also include some information about and writings by Robert Lucas, this year's Nobel Prize winner in economics.

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

October 24, 1995

To: Laura Tyson
From: Bob Murphy *B.M.*
Subject: President's Questions

The President had three questions that he noted on last week's WEB (10/13, see attached copy). I've gathered answers and materials relevant to these.

1. He asked how many people (households) would be affected by a rise in interest rates on adjustable-rate mortgages following a possible default on U.S. debt.

According to contacts at the Federal National Mortgage Association (FNMA), approximately seven to ten million households have adjustable-rate mortgages. The value of these adjustable-rate mortgages is approximately \$800 billion. About one-half of the \$800 billion in mortgages are directly linked to rates on Treasury securities. Most of the remainder are linked to other measures of government cost of funds. Consequently, a default on Federal debt, which raised the cost of government borrowing, would also raise mortgage costs for between seven and ten million households.

2. He asked a question about why the chain-weighted data give "worse" results in recent years (quarters) for both real GDP growth and inflation, as measured by the GDP deflator, than for the 1970-93 period as a whole.

This is a B.S. story. It's not the only problem.

The reason for lower real GDP growth in recent years is, of course, the usual story about changing from 1987 weights to chain weights (smaller relative-price weight for fast growing sectors, such as computers). The reason for higher inflation is that nominal GDP growth is unchanged by changes in weighting, so a lower real growth rate must necessarily imply a higher inflation rate. Also, the reason for "improvement" when using chain weights in the 1970-93 averages which straddle the 1987 base year is that the average is dominated by the pre-1987 years (since there are more of them).

3. He asked for some of Robert Lucas' work.

I've attached an essay on policymaking by Lucas (only thing I could find without any equations). I've also attached the writeup in this week's Economist magazine and the chapter from Arjo Klamer's Conversations With Economists. Let me know if you want additional copies of these items.

cc: J. Stiglitz, M. Baily, A. Munnell, M. Jolin

Great expectations, and rational too

As this week's award of the Nobel prize in economics shows, simple ideas are often the most powerful

MOST economists have long regarded this year's winner of the Nobel prize for economics as a laureate-in-waiting. Robert Lucas, a professor at the University of Chicago, is the most influential macroeconomist of his generation. "A matter only of when he'd win it," declared Frederic Mishkin, chief economist of New York's Federal Reserve Bank. "Top of almost everybody's list," said Gregory Mankiw, a professor at Harvard.

Mr Lucas developed the idea known as "rational expectations". His work transformed both macroeconomic theory and the way that economists think about the effects of economic policies.

Expectations are fundamental to economic behaviour. A trade union negotiating with employers, say, will base its wage demands in part on its forecast of inflation. And the final deal will affect the actual inflation rate once it feeds through to prices. By definition, you might think, expectations are forward-looking. But until the 1970s, economists modelled expectations as if they were based on the past: next year's expected inflation rate might be a weighted average of current and past rates. That was not daft: it is impossible to observe expectations directly; and it is reasonable to suppose that they will be based largely on experience.

Yet it was wrong, because it supposed that people might go on believing what they knew to be false. Mr Lucas was not the first to see this. In the early 1960s John Muth, another economist, argued that it would be better to assume that people have "rational expectations". These are forward-looking, in that they are based on all data to hand; expectations that are persistently wrong will be discarded.

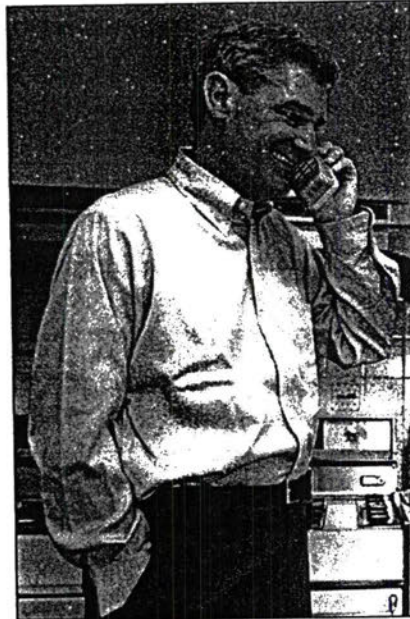
Mr Lucas showed just how important this simple idea is. Governments' models of the economy are, of necessity, based on the past behaviour of consumers and firms. But unless they incorporate rational expectations, said Mr Lucas, they are useless for assessing changes in economic policy. This is because economic behaviour in the past will have depended on the economic policies of the time. When governments change their policies, expectations will change, too; so the economy's response to a new policy may be different from what governments expect.

Although this principle is quite general, the best-known examples concern monetary policy. Until the 1970s, governments thought they could buy lower un-

ECONOMICS FOCUS

employment with a bit more inflation. That conceit had already been shredded by Milton Friedman, another Nobel prizewinner from Chicago, and Edmund Phelps, another American economist. But they had used backward-looking expectations. By applying rational expectations, Mr Lucas nailed the illusion for good.

In the short run an inflationary monetary policy will boost jobs—but only because firms are fooled into thinking that a rise in the price they can charge signals stronger demand for their goods; in fact,



The winner, as expected

it merely reflects a rise in prices in general. In the long run, under rational expectations, there can be no trade-off between inflation and unemployment, because people cannot be fooled for ever. Once they see that inflation has risen, unemployment will return to its old level.

Many forecasting models now include at least some element of rational expectations. For instance, predictions about the inflation rate that people will come to expect are typically made consistent with the model's own predictions of inflation. The one used by America's Federal Reserve is being revised to make its characterisation of the bond market more forward-looking; in the labour market, where adjustment to news is slower,

expectations based on history will also still be used.

Warning governments against bad policy based on unreliable models is all very well. But how do rational expectations help them to choose a policy? To some economists and politicians in the early 1980s, one answer looked obvious. To reduce inflation, governments had to do little more than announce a strict monetary target. In the face of such a tough policy, workers, consumers and firms would expect lower inflation. They would moderate their wage demands and prices, and—hey presto—inflation would tumble at little cost in output and jobs.

How to be believed

That idea turned out to be wrong, but not because of any flaw in the notion of rational expectations. One reason was that markets do not always "clear" quickly—ie, supply and demand may be out of balance for a while—so unemployment may rise when monetary policy is tightened. "New Keynesian" economists, such as Mr Mankiw, say that wages and prices take time to adjust, so that markets often clear only slowly. However, such theories often assume that expectations are rational.

The principle also explains why neither an announcement of tight money nor even a brief period of monetary stringency will lead quickly to low inflation: governments may not be believed. If people do not think that the government is in earnest, they will go on expecting high inflation. So financial markets will continue to demand high bond yields; workers will not curb their pay demands, nor will firms hold down prices.

Thus, again thanks to Mr Lucas, economists are now obsessed with the issues of credibility and sustainability. Can governments keep their promises, and for how long? Post-Lucasian economics recognises that governments are perpetually in temptation: although tough policies eventually bring the benefits of low inflation, politicians can earn popularity through an unexpected burst of inflation, which temporarily boosts incomes and employment; but if they succumb, their credibility is lost.

The rational-expectations insight has spurred research in many other branches of economics. How do people use information? How can models capture the limited ability of people to understand how the economy works? In science, "paradigm-shifts" always tend to raise more questions than they answer. Mr Lucas's work was as revolutionary as that.

- Reder, M. 1962. "Wage Differentials: Theory and Measurement." In *Aspects of Labor Economics*. Princeton, N.J.: Princeton University Press and National Bureau of Economic Research.
- Sandmo, A. 1976. "Optimal Taxation: An Introduction to the Literature." *Journal of Public Economics* 6:37-54.
- Sargent, T. J. 1977. "Aspects of the New Classical Macroeconomics." Working Paper. Minneapolis: Federal Reserve Bank of Minneapolis.
- Sims, C. A. 1979. "Macroeconomics and Reality." *Econometrica*, forthcoming.
- Taylor, J. B. 1979a. "Aggregate Dynamics and Staggered Contracts." *American Economic Review* 69:108-13.
- . 1979b. "Estimation and Control of a Macroeconomic Model with Rational Expectations." *Econometrica* 47:1267-86.
- United States Department of Commerce, Bureau of Census. 1976. *Statistical Abstract of the United States*. Washington, D.C.: U.S. Government Printing Office.

Rules, Discretion, and the Role of the Economic Advisor

Robert E. Lucas, Jr.

Introduction

I take the purpose of this session to be to elicit views on economic policy from economists of different points of view.¹ The particular title of the session, "Macroeconomic Policy, 1974/75: What Should Have Been Done?" does not seem to me useful for this purpose, as I will explain below, so I will adopt a somewhat different approach. I will begin by stating a variation on the policy proposals advanced by Milton Friedman in "A Monetary and Fiscal Framework for Economic Stability" (1948) and *A Program for Monetary Stability* (1959). After some speculations on why the Friedman program has had so limited an impact,² I will identify and discuss some recent developments suggesting that its acceptance and influence may be greater in the near future. The paper concludes with an assessment of the case for the Friedman program as it stands today, a brief discussion of problems of transition, and some concluding remarks.

In centering the discussion around a proposal Friedman formulated, in its essentials, thirty years ago, I run an admitted risk of locking myself and others into positions we may have taken up years ago and not rethought seriously since. The alternative strategy of repackaging this proposal in more current language is one I find distasteful, and, in any case, it

The revision has benefitted from the suggestions of Stanley Fischer, Milton Friedman, and Robert Weintraub.

1. EDITOR'S NOTE: Comments and discussion for chaps. 6 and 7 appear in chap. 7.

2. Of course, Friedman's work in general has had an enormous impact on many dimensions. I am here referring only to his recommendation that monetary and fiscal policy be conducted according to fixed rules.

would quickly be found out. I will begin, then, on familiar ground and, for the most part, remain there.

A set of aggregative policies which would I believe, lead, and have led, to satisfactory general economic performance are, compactly described:

1. A 4% annual rate of growth of M1, maintained as closely as possible on a quarter-to-quarter basis
2. A pattern of real government expenditures and transfer payments, varying secularly but not in response to cyclical changes in economic activity
3. A pattern of tax rates, also varying secularly but not in response to cyclical changes in economic activity, set to balance the federal budget *on average*
4. A clearly announced policy that wage and price agreements privately arrived at will not trigger governmental reactions of any kind (aside from standard antitrust policies and the general policy of government preference for low over high bids)

The first three of these policy rules are taken directly from Friedman's writings.³ The fourth is simply a recognition of the fact that, since the time Friedman's proposals were originally formulated, intervention in the details of private price and wage negotiations has ceased to be viewed as an emergency measure so that a position on the generally accepted aspects of aggregative policy cannot omit mention of this fact.

In restating these recommendations, I have tried to follow Friedman in being concrete and operational concerning exactly which policies are being advocated. Under the principle that *natura non facit saltum*, these particular policies must have neighbors that would have nearly the same consequences, and one would certainly like to have an analytical framework within which one could assess the consequences of variations on them. The provision of such a framework is far beyond the scope of the present paper. I will proceed, instead, in an entirely different direction: first by recalling some of the main features of the intellectual environment, both within and without our profession, into which Friedman's framework was introduced and then by tracing some of the changes since in this environment.

The Employment Act of 1946

The dominant events influencing the minds of the intended readers of Friedman's "Framework" were the Great Depression of the 1930s and

3. Rules 2 and 3 are paraphrases of those in Friedman 1948 (1953, pp. 136-37). Rule 1 is from Friedman 1959, pp. 87-92, there presented as a desirable but second-best alternative to the requirement of 100% reserve banking advocated in Friedman 1948.

the "prosperity" (as measured by unemployment rates) of the Second World War. It is difficult to imagine a sequence of events that could more forcefully illustrate both the costs of high unemployment and the ability of government policy to affect unemployment. In all capitalist countries, this "lesson" had profound influences on policy. In the United States, it was embodied in the Employment Act of 1946.

To some contemporaries, the Employment Act was "a weak and meaningless wraith" (Bailey 1950, p. 253), and in some respects it is easy to see why. The act granted the executive no powers which had not been fully assumed during the New Deal period preceding, nor did it specify either the economic targets to be achieved or the policy tools to be utilized. The act did, however, require the executive in very explicit terms to forecast the state of the economy in the coming year and to prescribe policies designed to alter this state in a desirable direction. Moreover, it was clear in specifying exactly where the expertise required to carry out this task could be found: The Council of Economic Advisors was established by the act as the channel by which this expertise could be brought to bear on practical policy.

It would be a difficult and subtle task to trace the effects of the Employment Act on the policy performance of the U.S. government in the postwar years. There is nothing subtle, however, in the effects of the act (or of the events immediately preceding it) on the practice of monetary economics in the postwar period. Renamed *macroeconomics*, this subdiscipline *defined* itself to be that body of expertise the existence of which was presupposed in the Employment Act, and its practitioners devoted themselves to the development and refinement of forecasting and policy evaluation methods which promised to be of use in the annual diagnosis-prescription exercise called for by the act.

In many respects, the assumption of this rather specific, applied role had a very healthy effect on monetary economics. The set of common, agreed-upon substantive objectives helped to unify the field and lent it a quantitative, operational character in sharp contrast with the literary, doctrinal emphasis of so much prewar monetary and business cycle theory. A great number of talented scientists found this new character congenial.

The highly productive, collective effort to make the Employment Act "work" was just getting underway when Friedman's "Framework" was published in 1948. This was a proposal "concerned . . . with structural reform [which] should not be urged on the public unless and until it has withstood the test of professional criticism" (Friedman 1948 [1953, p. 156]). Perhaps this description may be taken as a comment on the haste with which Keynesian theory, at that time regarded as difficult and controversial, understood by only a handful of American economists, had been embodied in federal legislation. In any case, it is an accurate de-

scription of the proposals which are, implicitly, a prediction that the diagnosis and prescription process called for in the Employment Act *cannot* be made to work, given the level of scientific understanding of monetary dynamics at the time. The proposals are offered rather as a *compromise*, promising economic performance superior to that which had been observed historically, yet promising less than the performance goals which are implicit, if vague, in the Employment Act. They constituted, Friedman hoped, "a minimum program for which economists of the less extreme shades of opinion can make common cause" (Friedman 1948 [1953, p. 135]).

In retrospect, it is clear that Friedman underestimated by far the extent to which his colleagues were united in the belief that the Employment Act, together with the Federal Reserve Act as supplemented by changes in the 1930s, provided a workable policymaking apparatus. Post-World War II macroeconomics has shown little interest in reforms of the institutional framework within which economic policy is conducted, and virtually no concern with formulating legislative guidelines or limits on monetary, fiscal, and now, "incomes," policy. The professional forum for debating alternative monetary institutions to which Friedman addressed his proposals did not analyze them, consider them, reject them in favor of others. It simply passed out of existence. Instead, within the existing institutional framework, the role of the economic expert as day-to-day manager expanded rapidly, and the role of the academic macroeconomist became that of equipping these experts with ideas, principles, formulas which gave, or appeared to give, operational guidance on the tasks with which these economic managers happened to be faced.

From the perspective of this new role for aggregative economics, the difficulty with the Friedman proposals was not so much that they were demonstrably dominated by others, but that they were irrelevant. They speak to the question: Under what rules of the game, remaining predictably in force over long periods, can we expect satisfactory economic performance? The economic manager responsible for advising on, say, the size of the coming fiscal year deficit is simply uninterested in this question: it seems to him merely an academic exercise, unrelated to the tasks he has taken it upon himself to perform.

On one level, this reaction to the Friedman proposals is understandable. General economic performance in the twenty years following the passage of the Employment Act was, by any historical standard, highly successful. It is not surprising, then, that there was little general discussion of institutional change during this period and that this lack of interest was reflected in economists' choice of research problems. Yet the history of monetary and fiscal institutions, in the United States and else-

where, is one of repeated failure, and failure at very high social cost. One is not surprised that a large fraction of the profession found it worthwhile to attempt to provide the expertise presupposed by the existing institutions. Similarly, it should surprise no one that others continued to question the viability of these institutions and focused their work on the design of alternative frameworks which might ultimately replace them.

Some Signs of Change

Events of the current decade have brought about important changes in both public and professional confidence that economic expertise can deliver satisfactory performance within the framework provided by the Employment and Federal Reserve acts. They also provide examples of mechanisms, quite outside those established by this legislation, by which public opinion may be brought to bear on economic policy. In this section, I will briefly review a few of these, beginning with what is surely the most important: the experience of stagflation.

In a first course in econometrics, students discover upward-sloping demand curves and production functions which impute negative productivity to capital. Students find these shocking experiences for which nothing in their theory courses has prepared them. This is a standard developmental crisis, like discovering that one's parents are not perfect, and experience shows that if it occurs in a reasonably protected and supportive environment, it can be survived and resolved with no lasting harm done.

There is a tendency on the part of many economists involved with Keynesian macroeconomic models to view the inflation and unemployment rate forecast errors of the 1970s in much the same terms. That is, the error itself is not denied (this is hardly a possibility) but is interpreted as indicating nothing deeper than a neglect in controlling for some other factors which, when properly taken into account, reveal the original basic structure to be sound. Thus we show our econometrics students that by controlling for income and other variables and by reducing contamination from supply side effects, the law of demand is revealed as clearly in the data as it is in the theory chapters of their textbooks.

I have argued elsewhere, most recently and comprehensively in collaboration with Thomas Sargent (Lucas 1975, Lucas and Sargent 1978), that these two cases are not at all analogous scientifically and that the misforecast of the stagflation period is in fact a symptom of much deeper problems. But a second, even clearer, difference in these two cases involves the context in which the error occurred. The stagflation error did not occur in the privacy of the seminar room, a puzzle of inter-

est to professionals only. It occurred *after* the idea of a stable inflation-unemployment trade-off had become accepted by the public generally as *the* central construct in discussing macroeconomic policy, and *after* wide public acceptance of the idea that movements along the Phillips curve were technically within the control of economic managers. Even if it were true (and I believe it is not) that the sources of this error are easily correctible and unlikely to be repeated, an enormous and far-reaching change has already taken place in the political climate in which economic issues are discussed.

Two early symptoms of this change are Arthur Laffer's influential "Laffer curve" and Arthur Okun's proposal for controlling inflation by a complex system of taxes and subsidies on individual producers. Though both can be supported by theory of sorts, provided one uses the term "theory" with sufficient looseness, neither follows in any way from any widely accepted theoretical framework, neither has received serious analysis by either proponents or critics, neither was even *mentioned* in the academic literature prior to the last year or so.

This is the legacy of stagflation: a general loss of confidence, whether scientifically warranted or not, in the formerly accepted framework guiding discretionary economic management. Since the demand for discretionary policies remains strong, we are seeing the proliferation of new "solutions" to "short-run" policy problems, defended by the promise of particular results but without basis in either theory or historical experience. Given the entry costs into economic advising of this sort, is there any real doubt what the future holds if economists continue to view themselves in a day-to-day management role?

The experience of stagflation has, then, brought about important changes in the nature of the postwar dialogue by means of which policy-oriented economists attempt to advance their ideas and to satisfy the immediate needs of economic managers. Recently, there have been a number of important developments occurring outside the now-traditional dialogue among experts and economic managers, the most striking of which has been the passage of California's Proposition 13, limiting property taxes. Similar measures are under consideration in other states and there are analogous attempts underway to influence the federal budget at the constitutional level.

The main impetus for this "tax revolt" is surely dissatisfaction over the general level of taxes and government spending, and not over the nature of stabilization policy. Yet there is a clear and instructive connection at the political level. In policies of either type, it is evidently impossible for large numbers of people to form opinions and exercise influence at anything like the level of detail at which legislators and economic managers and their advisors carry on their discussion. In contrast,

it is clearly possible for people to impose limits on these technical discussions, to *bound* levels and rates of change of economic aggregates. Public opinion generally can do little to *guide* the exercise of discretionary economic authority, but it has enormous potential to limit its scope.

To this point I have stressed developments external to the economics profession, as opposed to internal, scientific developments, as influences on the way economists and noneconomists view the possibilities open to us for influencing economic policy. This choice of emphasis reflects the opinion that public opinion generally (or what used to be called "political feasibility") was far more important than were scientific considerations in influencing professional reaction to Friedman's "Framework," and that this situation is not at all unusual. (This observation is not intended as a lament: there is little to be said for isolating economics from general contemporary social thought, and the consequences of trying to do so tend to lead to reliance on sterile aesthetic criteria in guiding theoretical work.)

Nevertheless, research based on the idea of *rational expectations* has played a role in buttressing the case for thinking about policy, as Friedman argued we should, as a problem in selecting stable, predictable policy *rules*. The main argument turns out to be a positive (as opposed to normative) one: our ability as economists to predict the responses of agents rests, in situations where expectations about the future matter, on our understanding of the stochastic environment agents believe themselves to be operating in. In practice, this limits the class of policies the consequences of which we can hope to assess in advance to policies generated by fixed, well understood, relatively permanent rules (or functions relating policy actions taken to the state of the economy).

I have developed the reasoning underlying this point elsewhere (Lucas 1975). (Indeed, it follows from modern control-theoretic views of policy evaluation almost independently of one's views on expectations formation.) I have been impressed both with how noncontroversial it seems to be at a general level and with how widely ignored it continues to be at what some view as a "practical" level. One could ask for no better illustration of this than the question motivating this session: "Macroeconomic Policy, 1974/75: What Should Have Been Done?" The question presupposes one of two possible situations. The first is that households and firms in 1974/75 were describable by a fixed set of decision rules, so that given any hypothetical selection of 1974/75 policies, one could simply read private-sector responses off these fixed curves to determine the response of the economy as a whole. The second situation under which this question is meaningful imagines firms and households attempting to solve maximum problems involving not only current policy actions but expected, future actions as well. The economist evaluating 1974/75

policy is in this case required to understand what these expectations about the future were, and how they would have been influenced by policy actions taken in 1974/75.

Does anyone seriously argue that either of these two situations prevails in fact? If so, on what scientific ground? If not, then why are we discussing this spuriously practical question at all?

This seems to me by far the most fundamental sense in which recent work on expectations reinforces the viewpoint toward policy which Friedman espoused in his 1948 paper. It emphasizes the fact that analysis of policy which utilizes economics in a scientific way *necessarily* involves choice among alternative stable, predictable policy rules, infrequently changed and then only after extensive professional and general discussion, minimizing (though of course never entirely eliminating) the role of discretionary economic management.

Though an agreement to focus on alternative policy *rules* would, in my view, be the major step toward restoring some degree of rationality to aggregative policy discussions, it does not necessarily follow that the particular set of rules advocated by Friedman would dominate others. On the one hand, several researchers have developed particular examples in which a 4% monetary growth rule is not dominated by monetary policies which react to the state of the economy (Sargent and Wallace 1975, Barro 1976, Lucas 1972). Moreover, Sargent (1976) has shown that one can find models of this class which account very well for the behavior of postwar, U.S. time series. On the other hand, John Taylor (1979) has developed an empirically implemented example in which monetary policies which react to the state of the system dominate (in a particular sense) a fixed monetary growth rule, though the latter is also shown, in this context, to dominate actual postwar policies. It seems clear at this point that the choice among alternative sets of policy rules will necessarily depend on the answer to difficult substantive questions involving the sources of business cycles and the nature of business cycle dynamics. Though there seems good reason to expect that the principle of rational expectations will prove to be a powerful tool in attacking these questions, it is clearly not sufficient in itself to dictate the nature of desirable countercyclical policies.

The Case for the Friedman Program

I began this paper with a brief summary of a variant of Milton Friedman's well-known program for stabilization policy, and then advanced some conjectures of a sociological nature about why professional discussion of this program has been so unsatisfactory in the past and some

reasons for believing that the terms of the discussion may now be shifting toward those which Friedman presupposed in his 1948 paper. Yet beyond an unelaborated endorsement of this program, I have devoted no space to its defense or to an assessment of its likely consequences, if adopted.

To an extent which, until a recent rereading, I had forgotten, this absence of a clear defense and assessment also characterizes Friedman's "Framework." There, in outlining his strategy, Friedman says that "I deliberately gave primary consideration to long term objectives. That is, I tried to design a framework that would be appropriate for a world in which cyclical movements other than those introduced by 'bad' monetary and fiscal arrangements, were of no consequence. I then examined the resulting proposal to see how it would behave in respect to cyclical fluctuations. It behaves *surprisingly well* . . ." (Friedman 1948 [1953, p. 133]; italics mine). How well is this? "The proposal may not succeed in reducing cyclical fluctuations to tolerable proportions. . . . I do not see how it is possible to know now whether this is the case" (Friedman 1948 [1953, p. 156]).

The strategy, then, was to design a workable stabilization policy not dependent in any way on detailed knowledge of business cycle dynamics. The program would (I think on this there is no serious professional disagreement) *fully* protect the economy against sustained inflation. It would *fully* insure against the kind of monetary collapse which was so important a factor in the early stages of the Great Depression of the 1930s. It would entirely eliminate erratic monetary and fiscal shocks as independent sources of instability. Surely these are modest claims when compared with what can be accomplished via the application of optimal control to purely hypothetical economies which provide a *complete* description of business cycle dynamics. Yet as compared with actual performance in both the distant and recent past, their appeal is evident.

In my view, recent research has added little to strengthen Friedman's case, except in what might be called a negative way. Friedman's case was built largely on the presumption of *ignorance* of the nature of business cycles. Many of us confused the methodological advances in economic dynamics that took place in the 1950s and 1960s with the substantive narrowing of this ignorance and consequently with the increasing feasibility of sophisticated, reactive countercyclical policy. We have learned, I believe, that the list of economic propositions sufficiently well grounded in theory and evidence to be useful in formulating aggregative policy is no longer now than it was in 1948. This situation is discouraging and also, I think, improvable, but in the meantime we should be grateful that, in the face of our ignorance, we can still do "surprisingly well."

The Problem of Transition

From the point of view of those involved in economic management, the position that policy should be dictated by a set of fixed rules seems at best a partial response to the question: What should be done, now? To one with some responsibility for monetary policy in 1974, say, it is not very helpful to observe that monetary growth "should have" proceeded at a constant 4% rate for the 25 years preceding. Moreover, even if a move toward a policy of fixed rules were desired, it could be done in innumerable ways, presumably with different consequences, and a criterion based on long-run average performance offers no help in choosing among them. What advice, then, do advocates of rules have to offer with respect to the policy decisions before us *right now*?

This question does have a practical, men-of-affairs ring to it, but to my ears, this ring is entirely false. It is a king-for-a-day question which has no real-world counterpart in the decision problems actually faced by economic advisors. In the current system of discretionary economic management, no one or no small group has the job of deciding what to do right now and into the middle distance with respect to the main aggregative decision variables. None of these managers is in a position to influence the economy in any significant way toward a regime of fixed, non-reactive policy rules. They are simply reacting, sometimes well, sometimes badly, to current difficulties, with no more capability of affecting policy five years hence than of affecting what happened five years before.

Economists who pose this "What is to be done, today?" question as though it were somehow the acid test of economic competence are culture-bound (or institution-bound) to an extent they are probably not aware of. They are accepting as *given* the entirely unproved hypothesis that the fine-tuning exercise called for by the Employment Act is a desirable and feasible one. In criticizing Friedman's 1948 proposal from this point of view, they are simply missing its main point. It is not a recipe for making the Employment Act "work" but rather a prediction that it *cannot* be made to work, and an outline of an alternative set of policy arrangements.

If one does try to think in a politically serious way about possible scenarios leading to a fixed-rule regime, one is led to assign the primary roles to actors *outside* the executive-central bank system of economic management. An encouraging example is provided by the House Concurrent Resolution 133, requiring that the Federal Reserve Board announce monetary growth targets in advance and account for deviations afterward.⁴ One can imagine this resolution hardening into legally binding

4. The substance of this resolution became an amendment to the Federal Reserve Act in 1977. See Weintraub 1978.

limits on monetary growth rates. A second example is politically less advanced: movements for constitutional limits on the federal budget deficit.⁵

In cases such as these, existing economic managers will not program a transition in any formal way, though they could certainly help to minimize disruption. But the inherent gradualism of the legislative and constitutional processes will mean that any actual move toward fixed rules will necessarily occur with ample advance warning and a great deal of prior adjustment on the part of both government and the private sector. Analytical elegance will clearly not be one of the virtues of such a transition, but I see no reason to expect large economic disruption, at least by the sorry standards of the past decade, to be an inevitable or even a likely consequence.

Concluding Remarks

As an advice-giving profession we are in way over our heads. The Employment Act of 1946 placed heavy demands on the ability of economists to guide executive authority granted very broad powers. In the early postwar years, and even through the sixties, it appeared that the framework provided by the Keynesian theory of income determination was, intelligently applied, capable of meeting these demands. As confidence has ebbed in our ability to use general monetary and fiscal policy to carry out the aims of the Employment Act, professionals and nonprofessionals alike have turned to a wide variety of complex, selective interventions in individual markets. Even to begin to assess the likely consequences of these policies in anything like a scientific way is clearly well beyond the current limits of our discipline.

One response to this situation is to attempt to deal with this ever broadening range of management questions, working and hoping for advances sufficiently dramatic to enable us to regain the intellectual control we thought we had in the sixties. If, as I believe to be the case, this will require scientific improvements of a fundamental or basic nature, then this response is not likely to succeed. Basic research, to be successful, requires some degree of control over the questions to be asked and the results that can be delivered. Though stimulated by practical demands, it is rarely carried out by those in an active managerial role, even at one remove.

An alternative response is to attempt to make clear to our fellow citizens the questions that currently available expertise can hope to answer

5. For a proposed amendment to this effect, together with an economic and political analysis, see Buchanan and Wagner 1977.

successfully, to base policy recommendations on the well-understood and empirically substantiated propositions of monetary economics, discouragingly modest as these may be, and to make it as clear as possible that the main task of monetary and fiscal policy is to provide a stable, predictable environment for the private sector of the economy.

References

- Bailey, S. K. 1950. *Congress Makes a Law*. New York: Columbia University Press.
- Barro, R. J. 1976. "Rational Expectations and the Role of Monetary Policy." *Journal of Monetary Economics* 2:1-32.
- Buchanan, J. M., and Wagner, R. E. 1977. *Democracy in Deficit*. New York: Academic Press.
- Friedman, M. 1948. "A Monetary and Fiscal Framework for Economic Stability." *American Economic Review* 38:245-64. Reprinted in *Essays in Positive Economics*. Chicago: University of Chicago Press, 1953.
- . 1959. *A Program for Monetary Stability*. New York: Fordham University Press.
- Lucas, R. E., Jr. 1972. "Expectations and the Neutrality of Money." *Journal of Economic Theory* 4:103-24.
- . 1975. "Econometric Policy Evaluation: A Critique." In *The Phillips Curve and Labor Markets*, edited by K. Brunner and A. H. Meltzer, pp. 19-46. Carnegie-Rochester Conference Series no. 1. New York: North-Holland.
- Lucas, R. E., Jr., and Sargent, T. J. 1978. "After Keynesian Macroeconomics." In *After the Phillips Curve: Persistence of High Inflation and High Unemployment*, pp. 49-72. Conference Series no. 19. Boston: Federal Reserve Bank of Boston.
- Sargent, T. J. 1976. "A Classical Macroeconomic Model for the United States." *Journal of Political Economy* 84:207-54.
- Sargent, T. J., and Wallace, N. 1975. "'Rational' Expectations, the Optimal Monetary Instrument, and the Optimal Money Supply Rule." *Journal of Political Economy* 83:241-54.
- Taylor, J. B. 1979. "Estimation and Control of a Macroeconomic Model with Rational Expectations." *Econometrica*, forthcoming.
- Weintraub, R. E. 1978. "Congressional Supervision of Monetary Policy." *Journal of Monetary Economics* 4:341-62.

7 On Activist Monetary Policy with Rational Expectations

Stanley Fischer

This paper discusses the potential effectiveness and desirability of activist monetary policy¹ and also rules versus discretion. Recent academic discussions of the role of monetary policy have been heavily influenced by the rational expectations approach to macroeconomics: it has been argued that, from the viewpoint of the behavior of output, any monetary policy rule strictly adhered to is as good as any other (e.g., Sargent and Wallace 1975, Barro 1976). This theoretical viewpoint receives support from empirical work by, among others, Sargent (1976a) and Barro (1977a, 1978), which appears to show that only unanticipated changes in the money stock affect output.

This paper accepts both rational expectations, as a theory of expectations, and the view that "unanticipated" changes in the money stock have a greater impact on real output than anticipated changes in the money stock. It argues nonetheless that systematic countercyclical monetary policy can affect the behavior of output and that activist monetary policy should be used for that purpose.

The argument starts by asking why economic agents have not made contingent arrangements—for example, wage rates indexed to the money stock or very short contracts—that would insulate them from the effects of unanticipated changes in the money stock. The answer is that such contingent arrangements are costly; the private sector is therefore willing

I am grateful to David Modest for research assistance and to Olivier Blanchard, Rudiger Dornbusch, Jacob Frenkel, Robert Gordon, Robert Hall, Michael Rothschild, Frank Schiff, and members of the M.I.T. Money Workshop for comments. Research support was provided by the National Science Foundation.

1. While I concentrate on the same issue as Franco Modigliani in his 1977 AEA Presidential Address, the approach will be seen to differ from his.

**Conversations with
Economists**

*New Classical Economists and Their
Opponents Speak Out on the Current
Controversy in Macroeconomics*

ARJO KLAMER

ROWMAN & LITTLEFIELD PUBLISHERS, INC.

ROBERT E. LUCAS JR.

If anyone is responsible for the current debates in macroeconomics, it is Lucas. He is generally credited with the introduction of the rational expectations hypothesis into macro models; his articles are widely read and discussed. He is, by acknowledgment of friend and foe alike, the central figure in the world of new classical economics. George Stigler, after receiving his Nobel prize, suggested that the same prize is in store for Lucas.

In 1964, Lucas received his Ph.D. from the University of Chicago, where he returned to teach after an 11-year stay at Carnegie-Mellon University. In 1969 Lucas coauthored with Leonard Rapping the famous article "Real Wages, Employment, and Inflation," which has played an important role in new classical discourse. In "Econometric Testing of the Natural Rate Hypothesis" (1972), Lucas suggested dramatic implications of rational expectations for accepted economic theory and econometrics. The conversation touches on these articles as well as upon his "Expectations and the Neutrality of Money" (1972) and "An Equilibrium Model of Business Cycles" (1975).

We talked in his office at the University of Chicago, a remarkably well-ordered place where papers are neatly piled and books carefully arranged on shelves. The desk is empty but for a note pad. It is May 1982.

BACKGROUND

Do you enjoy economics?

Oh, sure.

Why did you choose it?

I have always liked to think about social problems. It may have something to do with my family. We always argued about politics and social issues. I studied history at the University of Chicago and even started graduate school in history at Berkeley. But I came around to the view that economic forces are the central forces in history, and started trying some economics. It was a big shock to me to find books in English that were incomprehensible to me. Anything in English is accessible to a history student, so the only barrier to getting at something would be foreign languages. In economics, you could get a book out written in English like Haberler's *Prosperity and Depression* without being able to read it. Or Keynes's *General Theory*. I still can't read Keynes [laughter]. I realized I couldn't pick it up as an amateur. So I got into economics in a professional way and got my Ph.D. at Chicago.

Who were important teachers for you?

Well, Friedman was the big influence here. He taught our first Ph.D.-level price theory courses, just basic economic theory. Friedman is a really gifted teacher plus a superb economist. He spent almost all his time on applying economics. He would start with some real world situation, some quote from the newspaper, some *Wall Street Journal* editorial, some sentence. And then he would try and get into a class discussion. He would draw a diagram, and then try and get at the statement to see whether it was true or not true and under what conditions it would be true. Of course, he wasn't good for teaching tools, but I was picking up those on my own anyway, through my readings.

Another big influence was Samuelson's *Foundations*, which I read when I started here at Chicago. It's a "how-to-do-it" book, a great book for first-year graduate students. It says, "Here's the way you do it." It lets you in on the secret of how you play the game, as opposed to cutting you off with big words. I think the combination of Samuelson's book plus Friedman's class was what got me going.

Who taught you macroeconomics?

Well, as I say, Friedman taught price theory, not money. He had one lecture on his views in business cycles or monetary economics at the very end. We were all waiting for it, but you can't say that much in one lecture. When I was at Chicago the main teachers of macroeconomics

were Al Harberger and Martin Bailey. They're the ones who influenced me the most. I should also mention Carl Christ, who is now at Johns Hopkins. They all used the Keynesian model, so my background was pretty much conventional Keynesian training.

My thesis was an econometric study on capital/labor substitution. Harberger was my thesis chairman. He was getting quantitative estimates of various tax distortions (in "welfare triangles"), and he had some ideas about certain parameters for which he needed estimates. He farmed out pieces of his project to students, so I took elasticities of substitution in production as my piece.

Did Gregg Lewis have any part in this?

Lewis was on my committee and helped me a lot. He gives detailed feedback. That's why students went to him, and that's why I wanted him on my committee.

ABOUT OTHER ECONOMISTS

How important was your collaboration with Rapping?

It was very important to me. I came to Carnegie in '63; he came in '62. We've talked about a lot of stuff. We were good friends right from the beginning, with our wives, as couples and so on. Rapping at that time was very conservative, a libertarian. He was also a very good arguer; he was the ideal person to have at a dinner party. He could get people away from talking about the weather to talking about anything.

I try to picture for myself two people working very closely together. He told me that you had talks almost every afternoon about everything—including economics, of course, but also about politics [see conversation with Rapping]. You were very good friends. Then the '60's came along, and Rapping was deeply affected by what happened in Vietnam. He had the idea that something was wrong and that Chicago economics didn't help explain the current problems. You were close to him, but I don't see any effect of the occurrences on you.

Rapping was always much more interested than I am in being where the action is. He did a lot of work for the Defense Department in those days. He'd come back all excited about the billion-dollar decisions he said they were making. I was interested in anti-trust issues in those days, and he'd come in and say, "Look, Bob. If you finish this paper—

which you probably won't—and if anybody pays any attention to it—which they probably won't—and if it ever gets any influence in policy—which it probably won't—it's going to be a matter of a hundred million dollars. And I was at the Defense Department yesterday talking about twenty billion dollars" [laughter]. So you get the feeling you're just sort of scribbling in your office doing trivial things.

The '60s had a bigger effect on him because, as I said, he wanted to be where the action is, and he reacted not just to Chicago economics, but to his defense work.

Did you then understand his change?

No, not really. His change affected our personal relationship very much, and Rapping lost interest in conversations by rules that I like.

Did the turbulence of the '60s affect you at all?

Vietnam affected everybody. I eventually came around to the idea that the war was a lousy idea about the same time everyone else did [laughter]. It was, however, never at the center of my life. Because Carnegie was a conservative engineering school, it was an easy place to avoid the issue. Students were mainly interested in what kind of job they were going to get when they got out. We had a little bit of a revolution, not much.

Do you talk with Rapping now about what he is doing?

We talk a bit at the meetings.

You also worked with Prescott. Can you tell me about that collaboration?

Working with Prescott was different from working with Rapping. Rapping was my senior and at times served as a kind of father to me. Prescott was younger. Of course I was just starting to teach, so in age we weren't that far apart. But still, I was faculty and he was a student. That makes a difference. I got him involved when I ran into technical trouble while working on some investment problems. I remembered that he had some experience in his thesis with methods that I thought would be helpful. He knew them a lot better than I did, so when he was at Penn I got him interested in this project. We did a hell of a lot of work on this paper "Investment under Uncertainty" [1971]. We thought it was a pretty straightforward applied problem, but then we got in way over our heads technically. We didn't want to quit, so we read tons of

difficult mathematical economics and mathematics, even though none of us had any prior familiarity with it. It was a lot of fun; we both learned a lot.

Why do you think doing economics is a lot of fun if you run into all of these problems?

At the time it's not so much fun—you do want to get the paper out and get it finished. All the trouble on Ed's and my investment paper came when we were 99.9 percent done, and there was one step that wouldn't fall into place. That's where all the work was so it was frustrating to have this nearly completed paper here and then to have to do all of this work. But it *was* fun. I like learning new mathematics, and what I like about working with Ed is that he and I can very quickly get to the point on very difficult technical issues without a lot of set-up costs.

How did you get to know Sargent?

Tom was at Carnegie for a while. That was his first job when he got out of Harvard. I didn't know him too well then. I'll tell you what happened in those days—it's ridiculous in retrospect. There was a kind of Chicago faction and a non-Chicago faction at Carnegie. Meltzer was the Chicago leader, and Mike Lovell, a Harvard guy who had been at Yale, was the non-Chicago leader. Mike got very touchy about this whole thing and he eventually left. Even though Mike and I had been quite good friends, the relationship got very strained for a while. We stayed friends, but there was a bad period.

When Tom came, I associated him with the anti-Chicago group. I thought he didn't show interest in me. We didn't talk very much during the two years he was there.

I understand that he was also a very quiet person, and that he didn't talk very easily.

Yeah, I guess he's shy. But I never had a hard time talking with Tom [pause]. Tom needs to make some technical set-up costs before he wants to talk about something. Look at that paper we wrote together on Keynesian economics. There's quite a lot of notation there, more than there would have been had I written the paper myself. Tom likes to do that before he can talk. It's kind of hard to get people to sit still at coffee and lunch while you write out equations.

I remember a seminar here while Tom was visiting in Chicago. Everybody was talking; it was a very chaotic seminar. In the middle of

the seminar, Tom made some point and the speaker didn't seem to understand it. Tom dropped it and didn't say anything for the rest of the seminar. At the end, he just handed the speaker a piece of paper with a bunch of equations on it and said, "Here's what I was trying to say." I thought it was a very friendly, constructive thing to do, but the speaker said, "This is Sargent's idea of a conversation" and laughed. I think it's just that Tom thinks he can get things settled on a more technical level. Tom and I talk quite a bit. I think that we influence each other a lot.

Who are the other economists you like to talk with?

I'm sort of a gregarious economist. I like to talk with a lot of people.

But what about the neo-Keynesians? Do you ever communicate with them?

Yeah [pause]. We're all friends. We go to the same conferences. There's no split of a sociological sort.

I guess when we first got going it was kind of exciting because the people who were interested in this rational expectations model were a tiny minority at first. We were pretty confident of what we were doing, but we were regarded as very far out by other people. I had a lot of fun going to Yale and other places to talk in these chaotic seminars where I stand up and people throw darts at me [laughter]. It was a lot of fun. But now the stuff is much more widely accepted. A whole new generation of people has gotten into these models, so they're not quite as exotic.

Tobin asked me to come and talk at Yale in 1977, and I was there for a couple of days. He was really nice in a personal way. He made it clear that he respected my work as a professional, so I didn't feel my professional standing was at risk. When I got there he gave me a nice introduction. It wasn't a question of whether I was a competent economist or not; there was nothing personal involved. These guys, however, had lots of disagreements and criticisms. I'd been thinking along these lines for many years, so I thought I did a pretty good job of taking care of the questions, but I don't know how it looked from the other side. It left me with a feeling of being way ahead of the game. It was an exciting feeling.

But you use very strong terms, certainly in that paper with Sargent [1978], to indicate that something is wrong with Keynesian economics. You talk about failures, about the breakdown of consensus, and about the fact that you get disillusioned with Keynesian macroeconomics. That's quite strong.

Well, sure. Those are serious criticisms of econometric models. They imply that the simulations coming out of those models are worthless, useless.

But then you go up against many of these reputations. You tell Solow and Tobin and all these people that they are wrong.

But they were wrong [laughter]. I don't think that Solow, in particular, has ever tried to come to grips with any of these issues except by making jokes.

Did you read any radical economics? Marx or Sweezy?

I've read some at various times, and I tried to talk with Leonard about some of the stuff, but he wasn't too interested in discussing it with me. I really haven't read much.

It is surprising to discover that people with good minds have such an incredible difficulty in settling down to talk sensibly about one particular issue. It seems that you are a good communicator; you like to talk. Nevertheless, you very often hint at the problem of talking with other economists.

A lot of these problems get solved by age. Sargent and I have had a lot more influence on younger economists. Everybody likes the idea of rational expectations. It's hardly controversial.

But if you talk with post-Keynesian economists they think it's a lot of nonsense.

Young people are actually doing the research. Post-Keynesian economists, well, I don't know whether to take them seriously [laughter].

ABOUT HIS WORK

How did Rapping and you get to work on your joint paper? [Lucas and Rapping, 1969]

I can't really remember. Both of us, at one time or another, taught master's level macroeconomics courses. The labor part of macroeconomic models, in those days, was pretty disgraceful. If you look at an old text you can't make heads or tails of it. There's no connection with ordinary labor economics. Rapping and I knew some labor economics, and it's hard to get up in front of a class and talk nonsense deliberately. So we were trying to cook up simple supply and demand models which would fit what you see happening over business cycles. We got interested enough in that so that we thought we'd pursue it as a research topic.

It's quite remarkable that you had the courage to think in terms of demand and supply models.

In the tradition of Friedman and Lewis it is hard to think about labor markets without supply and demand. You have to tell how wages and employment arise from certain shifts in supply and demand curves. That was the rule we imposed on ourselves.

But then the problem is unemployment.

We were really developing a supply and demand model for employment and wages. Unemployment gets tacked on as a side story. We introduced a Phillips curve to make contact with macroeconomic stuff. We wanted to make sure that the labor supply piece didn't assume away business fluctuations.

Would you characterize the model as a Chicago model?

I wouldn't think of that paper as a Chicago paper. That paper could have been written almost anywhere, I would think. We were modeling it after the work of people like Modigliani and Jorgenson, who weren't Chicago people. If you think about labor markets in our way it might have been thought about as a Chicago type, but I don't know why it should have been. You notice in that paper we have a lot of defensive comments and millions of footnotes. I think that Rapping made us put in all those footnotes because we didn't want it to be thought of as an especially Chicago paper.

See, this business of microeconomic foundations has been kicking around for years. Rapping's and my paper is pretty conventional; that's what everyone was doing. You take a sector, you get some kind of maximum problem for a household or a firm, you work it out, and then you hope that it suggests some kind of a fairly simple regression equation. The idea was that if you do this for enough sectors, you can put them all together and you have a model of the whole. That was really what Jorgenson, for example, was trying to do with investment. Friedman wasn't trying to do it because he really didn't care about these models. But everyone who was involved in econometric model building of the consumption sector was influenced by Friedman's work. Modigliani was explicitly interested as he went from his work in consumption to actually building econometric models. That was a very common enterprise.

Was the econometrics important in that paper?

I think we overdid it. That was my fault; I was pretty much an econometrician in those days. Everything novel in the paper has to do with the supply of labor. The demand is entirely routine; it was even for those days. It would have been a better paper if we had called it a theory of labor supply and had just presented the theory of the household and then tested that. Of course we started with Ordinary Least Squares estimates of labor supply curves; but we somehow thought that wouldn't be respectable, so we added a demand side to take into account possible simultaneity. But in some sense the formality of the econometrics is excessive.

Rapping says that in his understanding the econometrics was essential in order to make connections with what had been done before.

I agree with that statement. One thing all of us admired about Friedman's book on consumption was the way Friedman integrated the aggregate time-series evidence and cross-sectional survey evidence. He gave a unified explanation of very different samples in a single theoretical model. If you ever look at my thesis, you'll see that I'm trying to reconcile time-series and cross-sectional evidence on factor substitution. Rapping and I try to do that in our paper. That was another reason it was essential to work with Rapping, because he knew all the cross-sectional evidence and I didn't. I think we did a pretty good job with it.

You also wrote a paper together that got published in the American Economic Review [1970].

I never liked the paper. It doesn't have any results in it. I didn't want to publish it, but Rapping insisted we do it. I remember he took an issue of the *AER* off the shelf and flipped it open to some paper—you know in any issue of any journal there's a lot of crap—and he said, "Look at this. Are you going to say our paper is worse than that? And he'd start going through the whole journal [laughter]. So he talked me into publishing it. When you do joint work you always argue about stuff like that. But I didn't want to reprint it in the collection of papers [Lucas, 1980]. Shortly after that I learned why tests of the sort we ran in that paper don't settle anything and aren't interesting. It didn't have much interest for me in the first place, and once I understood the econometric questions it had no interest whatsoever. The only economics in that paper is done better in Rapping's and my original paper, and that concerns the way the business cycle looks from the household's point of view.

In the papers with Rapping you used adaptive expectations. Did you know about rational expectations at that time?

Sure. Of course we knew about it. Muth was a colleague of ours at that time. We just didn't think it was important. The hypothesis was more or less buried during the '60s. Arrow used it in his paper on learning-by-doing in the '60s. Prescott and I used it in that paper of ours on investment. People were aware of it, but I didn't understand then how fundamental a difference it made econometrically. I didn't realize that if you took it seriously you had to rethink the whole question of testing and estimation. I guess no one else did either, except for Muth.

But he didn't do much with it later, did he?

No, but in the volume of Sargent's and mine we had a second paper of Muth's on the econometric implications of the rational expectations hypothesis. Maybe he just got discouraged because no one paid any attention. It must be quite an experience to write papers that radical and have people just pat you on the head and say "That's interesting," and nothing happens.

The models you are working on are obviously more than just rational expectations models. How would you characterize them?

The term I use is equilibrium models. The decision problems faced by individual agents in the model are clear, and the rules by which they interact are clear. You've got to spell out individual preferences and technology and you've got to spell out the rules of the game. In practice, in macroeconomics right now, that leads to competitive equilibrium models.

But then you exclude monopolistic behavior . . .

I don't think that that is crucial to business cycles. I'll give you an example: In a competitive model, prices are never a decision variable; they're always parameters in people's decision problems. When you're informally telling these rational expectations stories, though, it's much more natural to think of prices being a decision variable. So somebody sets a price, and then inventories or sales give them the signal as to what's happening to demand. You put some goods on the shelf at a particular price, and if demand is high you learn about that because you sell a lot more at that price than you expected to. So it would be nice to

write down formal models in which price is a decision variable. The only barrier to doing that is that, at the present time, I don't know how to write down equilibrium games which have that feature. The features could look a lot like the competitive models, but some of the features would obviously be different. For example, it's a big thing in that paper on "Expectations and Neutrality of Money" [1972] that people get information from price movements. That really complicates the paper tremendously; that's the feature that makes the paper hard technically. Now, if I choose what price I set, I obviously can't learn anything from it. You can't get information from something you choose. So the informational structure of those models would change a lot.

And did that make the analysis much more complicated?

I don't know. You never know until you do it. I'm not much good even at writing down noncompetitive models. I spend a lot of time trying, though.

Your equilibrium modeling strategy seems to be essential. It also seems to have elicited quite a few comments. The question that always comes up is how can you explain depression, how do you explain a 9.4 percent unemployment. Can you explain it all by referring to mistakes or to information problems?

Well, what's the alternative?

People talk about learning problems; people talk about wage contracts and about the resulting rigidity of wages. About uncertainty . . .

Learning, uncertainty . . . These things have a lot to do with information. Learning, for example, is a red herring. According to the way I look at things, this is just a question of how you like to think about probabilities. Things that we model which have probability distributions I call "random variables" and things that don't, "parameters." Some people like to use Bayesian language in which some things that have distributions are called "random variables," and some other things that have distributions are, for some unexplained reason, called "parameters." From that point of view, there seems to be a distinction between learning and information. Name them all "random variables," and then you name everything that is "learned," "information." Just two points of view. Nothing operational is at stake here.

A Bayesian would describe somebody as having a certain prior distribution on a particular parameter. I'll describe that guy as "knowing"

that this thing is drawn from a distribution with a particular shape. We're using different words, but the formalism is identical. I like to talk about distributions being known, and parameters being known, so that what one "learns" about is the realizations of particular random variables. That's purely a question of language. But I know my language puts some people off.

Like whom?

Milton Friedman, for example. He's very influenced by Savage and by this Bayesian way of thinking about probabilities. So when I talk about people "knowing" a probability, he just can't reach that language.

But I'm evading your question about 9.4 percent unemployment. You have difficulty with our thinking that this is a mistake.

Or an information problem. I say that this is the reaction you get. And I'm just wondering how you react to that. My taxi driver here is driving a taxi, even though he is an accountant, because he can't find a job. He is obviously frustrated. It seems a lot of people are running around in that position.

I would describe him as a taxi driver [laughing], if what he is doing is driving a taxi.

But a frustrated taxi driver.

Well, we draw these things out of urns, and sometimes we get good draws, sometimes we get bad draws.

How do you account for the Depression. What is your story?

A possible way of looking at economic time series is as a competitive system's response to outside shocks. If you just think of an economy in competitive equilibrium you wouldn't expect its output series to be completely smooth; you would expect it to oscillate a bit. In such a set-up the usual connections between equilibrium and optimality would hold. There wouldn't be any policy problems raised by these fluctuations. That would be one point of view. And I should think it would be a point of view that would be embarrassed by your question, although it's hard to explain why. By calling the 1929 to 1933 episode a "mistake," I'm trying to treat these events not as serving a social purpose.

If intelligent actors pursuing their own self-interest are going through the same mistake over and over again, which is what seems to happen, we are led to think of informational difficulties. How else do

you get someone, acting in his own self-interest, to do something that injures himself in the same way over and over again?

To put it another way, we know that monetary changes ought to be irrelevant, because units don't matter. Accepting the Friedman-Schwartz evidence that monetary changes are not only relevant, but the major cause of all these events, it is difficult to talk about a system responding in a very sharp way to something to which it "ought" not to have responded at all. These considerations lead into questions about information of some kind or another. That's a very old view. The particular mistake that people get led into by monetary changes is hard to determine, and the specific examples I've cooked up are dictated a lot by what's technically doable by me, given the methods I've got.

But you can attribute those events to "mistakes"?

If you look back at the 1929 to 1933 episode, there were a lot of decisions made that, after the fact, people wished they had not made; there were a lot of jobs people quit that they wished they had hung on to; there were job offers that people turned down because they thought the wage offer was crappy. Then three months later they wished they had grabbed. Accountants who lost their accounting jobs passed over a cab-driver job, and now they're sitting on the street while their pal's driving a cab. So they wish they'd taken the cab-driver job. People are making this kind of mistake all the time. Anybody can look back over the '30s and think of decisions which would have made millions—purchasing particular stocks, all kinds of things. I don't see what's *hard* about this question of people making mistakes in the business cycle. From the individual point of view, it's obvious.

The biggest puzzle is the changes in the average, the natural rate. Nine point four percent is a recession rate, and it's not that high above the natural rate. It's about as far above the natural rate as recession rates were in the '50s and '60s. The big difference is that the natural rate has gone way up, and no one seems to know why that's true. The unemployment rates at recent business cycle peaks are as much of a puzzle as the unemployment rates at business cycle troughs. I've heard a lot of stories, but I don't know if that problem has been nailed down. Some of it has to do with demographics, some of it has to do with secondary workers.

So, in this Keynesian work, you haven't found any reasonable explanation as to why the Great Depression occurred?

As I say, I find the Friedman and Schwartz story combined with Rapping's and mine to be very good for '29-'33. Afterward, I really don't know. There are many aspects of what happened after that I can't figure at all. But I don't think that unemployment is at the center of the story. For those who do think it is the center, I can see why they don't look to me for enlightenment.

How important is the neutrality proposition in your research program?

It's an ancient proposition. There's going to be a neutrality theorem in any well-formulated model of money. There's always a "units don't matter" feature somewhere in the model. A pretty severe criticism of old-fashioned Keynesian models is that they simply neglected that.

How important, then, are the policy conclusions you draw in your research program? It seems you are committed to the idea that economic policy cannot be effective, at least as long as it is systematic. And if any people show that economic policy is feasible, you say that it is not desirable because of the uncertainty it generates. In your 1975 paper on business cycles, for example, you argue that policy may be effective in case of an accelerator effect, but is undesirable.

All I said in that paper was that there is no reason to think that amplitude-reducing and welfare-increasing are the same thing. In that paper this is well enough spelled out. You can't gauge welfare effects with a model like that. I didn't mean to say I knew there wouldn't be welfare increases; I just don't know why you would assume there would be. That's a difficulty of macroeconomics generally. Economics' only criterion really is efficiency, but if you write down one of these standard macro models you can't say anything about efficiency.

Might I say that you believe markets do work more or less, and that government intervention is in general destabilizing, rather than stabilizing, and that it is undesirable?

I'm not very friendly toward government intervention in a lot of cases. If I were to focus on business cycles, and this is very much influenced by Friedman and Mitchell, it's a substantive question whether, in fact, fluctuations in monetary aggregate cause major depressions, and all government needs to do is simply stop that from happening. And that's it.

Rules, predictable government behavior: you follow the line of Friedman.

Yes. But both Friedman's line and my line have a hell of a lot to do with what we think is strong evidence that money is in some sense the villain in business cycles. It is in fact responsible for these depressions.

If all we had was the postwar data set we wouldn't know a lot, because there hasn't been enough action in this period. The '70s are an exception, as they give us a lot of information on inflation, but there haven't been any big depressions in the postwar period. In the old days, however—the pre-World War II period—the typical depression would imply a decrease in real output by 10 percent in a year. That's a different order of magnitude from anything we've seen in the postwar period. What Friedman and Schwartz do in their monograph is try to link up these big episodes with large-scale monetary collapses. The idea is that all you have to do is stop the large-scale monetary collapse. The collapses aren't caused by the government—they're all private system bank failures. Friedman's policy isn't exactly laissez-faire, since he's calling for government intervention in the banking sector to override events in the private sector. I don't think of the Friedman countercyclical policies as stemming from a general dislike for government as much as calling for a very specific, well-defined form of government intervention. That's all it takes. You don't need all of this fine-tuning; it's beside the point and dangerous as well.

I talked with several neo-Keynesian economists about your equilibrium modeling strategies. They usually said, "I've never understood that. I've never understood what they mean." Benjamin Friedman clarified this with a story about people who get into a rainshower without an umbrella—for him, a disequilibrium situation. They couldn't anticipate the rain, so they walk around in the rain without an umbrella. It takes some time, some learning, before they will carry around umbrellas.

What does he think about the question whether people have the same number of umbrellas in Phoenix, in Alaska, in London, in Rome? Surely the frequencies of people carrying umbrellas have something to do with the objective amount of rainfall in these places. People who live in the desert don't have any umbrellas. If you were seriously studying the demand for umbrellas as an economist, you'd get rainfall data by cities, and you wouldn't hesitate for two seconds to assume that everyone living in London knows how much it rains there. That would be assumption number one. And no one would argue with you either. In

macroeconomics, people argue about things like that. But if you were presenting that in an ordinary econometrics seminar, everyone would say, "Of course. That's obvious." So we're not very interested in the dynamics of how someone comes to know whether he's in a rainy situation or not.

Other people say that there are periods with fundamental uncertainty. They refer to the Keynesian concept of uncertainty. As a matter of fact, Rapping tells this story, too.

It's Knight, not Keynes.

Keynes also has that in his Treatise on Probability and in his 1936 journal article. He refers, for example, to the Napoleonic Wars as events that we can never anticipate, just like we cannot anticipate scientific predictions or innovations because, if we could, we would have invented what scientists will invent. Uncertainty is prevalent in some periods. Like now. People really don't know what's going on; there is uncertainty as to what the government is doing, uncertainty as to the future of nuclear power and so on. It's very unlike the '60s, when there was a general optimism. Post-Keynesians say that in some periods the uncertainty is so prevalent that talking in terms of probability distribution doesn't make sense, and that people have to go by rules of thumb. Different people go by different rules because in that environment there is no clear basis for rational decisions. What do you think of that?

I think there is something to that. I don't know how you could really disagree with it. It just seems to me something that has to be handled question by question. I don't see talking about rules of thumb as being helpful. I certainly agree that people behave by rules of thumb, but if people want to know about where they are and how they got there and how they're going to change the circumstances, you have to talk about probabilities, too. That is why I try to view the business cycle as much as possible as a recurring event, because if it isn't you have a hard time thinking about how people are going to respond to it rationally. (Maybe I overstress that, because no two business cycles are exactly alike and no two years are exactly alike.) But a lot of it depends on your imagination.

A lot of behavior appears inappropriate or irrational. The example I use in class is that of little children on the first day of school. You see them doing things that you know don't suit the situation. They'll start crying when there's nothing to cry about. They'll kick another little kid

when there's nothing at stake. They start doing all kinds of things that, to an adult or someone who knows what school really is, are crazy and irrational. They're in a new situation and they're trying to match it with their experience, but it's not at all clear how to do it because it's so different. So their reactions look crazy to an outsider. An hypothesis like rational behavior, in the sense of a rational response to an objective situation, just isn't helpful in understanding that. You've got to find out what these kids think is happening to them.

There are a lot of similar issues. For me, life-cycle issues are the ones that are easiest to think about as nonrecurrent, because you have these events that you only go through once. On the other hand, the thing we're all trying to do is to look at other people a few years older with the idea that we're pretty much like they are. I try to turn it into a recurrent event by viewing myself as a drawing from some probability distribution on which I have some information from observing others.

What do you think of the disequilibrium economics that is still done?

Look. You and I have been talking about human behavior. Those guys aren't talking about human behavior. These psychologists are. They're closely observing actual people doing something, and they're asking what are they doing and why are they doing it? What's going through their heads? What situation do they think they're in? I just don't think this disequilibrium economics is . . . I won't make pronouncements about it. You never know whether a line that you may not sympathize with will turn up something interesting or not. But I just don't get the sense that their theory is being driven by an attempt to get at, or model, some specific kind of human behavior. They're trying to explain other economists' words, but they're not thinking about human decision-making. That's why the key actors are always some external force in their models, like a price that just won't change. *Why* won't it change? In whose interest is it to keep it where it is? None of these questions is ever addressed. So in that sense I'm very unsympathetic with the way they're doing things.

But I've been in this business long enough to know that there are a lot of guys you don't have to be sympathetic with to benefit from what they do. People who seem to have the craziest motivations turn up really interesting economics. Often I dislike the introductory paragraph of a paper and dislike the conclusion, but think that the middle is extremely interesting.

You seem to have abandoned econometrics.

I'm not a very good econometrician any more.

Would you be able to use these new innovation techniques?

Well, you can do anything if you just take the time to learn it. But it's not stuff I'm very familiar with. Part of it is that I started with some empirical work a few years ago in which I was interested and to which I was going to put a fair amount of time. Then, I learned that Sargent and Sims were starting on the same line. That was very discouraging. First of all, I don't like races. Second, those guys know a lot more time-series econometrics than I do. Somehow the idea that they were working on the same thing, and probably doing it better up in Minneapolis, just completely dampened my enthusiasm for my own work. And insofar as I had any ideas, I just tried to tell them, tried to influence them and not carry on some parallel investigation. I have regrets now because they lost interest in the line, too, so now no one is doing it.

ON THE REALISM OF ASSUMPTIONS

Your story on the labor market emphasizes information problems and ignores phenomena such as wage rigidity. Doesn't that story sound highly implausible to you? I know that my father, for example, who is rather suspicious of economists' talk, would find the story unbelievable. I am sure many people think the same.

Do you think, then, that your story has any correspondence with the way in which the labor market actually works?

Did you ever look at Steinbeck's book *The Grapes of Wrath*? It's kind of a protest pamphlet from the '30s about migrant farmers in California. There's one passage in there that is a better anecdote than I could have written for the kind of models I like. It illustrates the auction characteristic of the labor market for migrant farm workers. He writes about a hundred guys who show up at a farm where there are only ten jobs available. The farmer will let the wage fall until ten people are willing to work for that wage and ninety people say "the hell with it," and just go on down the road. Steinbeck thinks the cure would be government-enforced wage rigidity [laughing], so he's not trying to support laissez-faire economics. He's describing what he thinks went on in the '30s.

There is nothing about wage rigidity. Nominal wages and prices came down by half between 1929 and 1933. Why would anyone look at a period like that and say that the difficult problem would be to explain

rigid wages? I don't understand it. But I can see how someone trying to explain 1934 to 1939 could be puzzled about rigid wages. I have been puzzled about that, too.

When I suggest to students the idea that people form their expectations such that they are consistent with the predictions of a rather complicated model, I usually get a roaring protest. People think that it is absolutely absurd that people can know something that must be beyond their comprehension. How do you convince your students of that? Or your wife?

My wife isn't interested in economics. And Ph.D. students are pretty passive; they'll take anything [laughter].

I try to turn it around. People in business usually like to get into conversations about what they do all day and how they make their decisions. I'm always impressed with how sophisticated their thinking and their information-processing is. What puzzles me is the number of economists who seem to believe the reverse. It would be a *miracle* if I could write down a model for the demand for shoes and the supply of shoes, cook up a little difference equation, solve it, and the solution would reveal profits available to me from the shoe business that weren't obvious to people who have been working in the shoe business for 20, 30, 40 years. It seems ludicrous to imagine that we could discover sizable rents with our simple equations without knowing anything about shoes. But some economists think we can get an insight into someone else's business without knowing anything about the substance of his business.

Have you read Simon's *The Sciences of the Artificial*? He's got examples like "Why is it that Arctic animals have white fur?" You know it is handy if you're trying to escape predators to be able to blend into the snow, but that doesn't explain anything about how it came about. [Simon] says its outcome would be useful for animals trying to survive in the Arctic.

A lot of our theorizing is about outcomes and is very weak on the process, so I'm not surprised it doesn't look like the way businessmen think. But this is nothing new for economics. When you present a demand curve, you suggest that people solve some nonlinear program or find a tangency point. It's fairly complicated to write an algorithm for actually doing that. It wouldn't have any resemblance to the way a household makes decisions about anything. When I get the objection on the expectations point, which I often do, I say, "Why didn't you say that

when I was talking about demand?" There's nothing descriptive in demand theory in terms of the process by which human people, families, and whole business firms make decisions. Economists have lived with that for years.

Do you like the rigorous way in which Gary Becker tries to model household decisions?

Yes. But again, I think Gary's work is focused on outcomes. Sometimes people react to it because they don't like it as a description of the process. They think about marriage; they think about what they went through when you got married, and they say it didn't resemble Gary's model. One doesn't think, "Was I calculating what my wife could get or could produce?" No one thinks about getting married in these terms explicitly. But the idea is that somehow those considerations are sufficiently important that they must be incorporated into the process. Moreover, you can test the model; so that if the theory is off, the data will let you know about it.

Herbert Simon, whom you just mentioned, is highly critical of such a neoclassical analysis of decision-making. He argues that we have to pay attention to the process. How did he react to your approach when you were both at Carnegie-Mellon?

He used to give us a hard time. He likes to take on the devil's advocate role. In his *Sciences of the Artificial* he's pretty balanced. The point of the Arctic-fur example is that for some questions, a superficial view of the process is safe enough. There's a sense in which that's a perfectly valid explanation. For other purposes it's inadequate.

In my house we don't use words like "marginal" every day. I don't find the language of economics to be useful to think about individual decision problems. I also don't use economic principles at home. I never pay my children to do their jobs. I try to use family loyalty or an exchange system; you help me, I'll help you.

I remember that Rapping used to tell his wife years ago, if she told him that the faucet was leaking and he should fix it, "Call a plumber. My consulting rate is so much per day: that's my opportunity cost. A plumber only costs half as much, so it's ridiculous to have me fixing faucets." He would go upstairs and watch a football game on the television [laughter]. At some point she just lost patience and said, "To hell with you, you're not making a hundred dollars a day watching a football game." I think a lot of this opportunity cost stuff is just to push people around who haven't caught up with the jargon yet.

ON DOING ECONOMICS

Are you after truth?

Yeah. But I don't know what we mean by truth in our business. I don't see economics as pushing that deeply in some respects. We're programming robot imitations of people, and there are real limits on what you can get out of that.

So far, we have discussed your ideas. However, it seems to me that the ways in which those ideas are expressed are just as important as the ideas themselves. In our case, your preference for mathematical expression is striking.

I'm not really a mathematician, so . . .

But do you like the language?

The only way I feel I understand something is if I can write it down in a model and make it work. I felt that from the beginning. That's why I liked Samuelson's book. He'll take these incomprehensible verbal debates that go on and on and never end and just end them; formulate the issue in such a way that the question is answerable, and then get the answer.

Economists seem to have different styles of argument; they use different languages. Might differences in language be responsible for problems of communication between, say, the Chicago and Harvard or M.I.T. people?

Tom and I have a very self-serving way of arguing. Look, for example, at my paper "Methods and Problems in Business Cycle Theory" [1980]. We want to claim ourselves to be right in the mainstream of the language that is shared by the best economic theorists and econometricians.

We think we're using the language of modern economics that, sooner or later, everyone will be using. I recall the responses to a paper that I presented in Washington on the methods and problems of business cycles; they strictly had to do with age. The older people like Phil Cagan, who's a Chicago student of Friedman, said "overkill" and "you don't need all this mathematics." He was very negative about the paper. I don't know whether he thought it was a bad paper, or whether he was just sorry that this was the way things were going. Sargent and I had a much easier time talking to younger theorists than more-traditional macroeconomists. When I was at Yale once, a young guy, an assistant professor, came up to me and looked like he thought it was probably not a good idea to be seen talking with me. He said he'd been trying to get

interested in monetary economics. He'd read my paper "Expectations and Neutrality of Money," and it had been the only paper on monetary economics he could understand. I do think that we're using the language that everybody uses, or will be in a few years.

The M.I.T. people have great problems with what you are doing.

I think they're just missing the boat, mainly for political reasons. When new techniques come in, they get combined in accidental ways with particular positions and substantive presumptions. Sargent, Wallace, Barro, and I think that money is very important in business cycles. When we started working on our rational expectations models, the key variable was monetary shocks. And that's just chance. There's no necessary connection between rational expectations as an idea and the importance of money in business cycles. The latter is an empirical question: it's either true or it's not. But since Sargent and I were the guys that did it, it all got tied up with money. That's just transient. It's perfectly simple to have models in which fiscal policy plays a central role and have rational expectations. It's just a matter of time until people do that. Some people are talking the same language that I talk; but they've got substantively different ideas about what's important in business cycles. They think there are crucial difficulties with my models and are trying to write down other models that don't have the same difficulties. So, I think a lot of these connections are going to pass. Don't forget that a lot of macroeconomists are not well-trained economic theorists. They don't know modern mathematical economics. I think a lot of these differences have to do with that.

You told me that reading Keynes is impossible for you. Has that anything to do with language?

I was just kidding. But I don't like that book. It's not a very congenial book to read.

Some people find it the best economic book ever written.

I really find that amazing. I find it carelessly written, not especially gracefully written, sometimes dishonestly written. I don't like the bullying tone. I don't like the sort of British aristocratic stuff. He's got this great idea for solving index number problems—we'll measure everything in units of workers. Workers are obviously homogeneous: that solves the index number problem [laughter]. It would be impossible

for an American to come up with the idea that workers are homogeneous. It's a ridiculous idea. What the hell was he thinking about? But it's written loosely enough that if I liked the book, I probably would find enough quotes in there that I could use to motivate arguments. But there's so much arbitrariness in that book.

I noticed from reading your recent work that you have become reflective on what you have been doing.

A lot of it has to do with writing papers for a conference. I am influenced a lot by who's going to be at a conference, where they are coming from, what their point of view is, what they understand, what they don't understand, and what the common background is. You mostly can tell that it is a group of people thinking about economic policy in a particular way, and you just try to get at them. You wonder what's wrong with their way of thinking and why we are missing each other's point. This happened also at a conference of the Boston Federal Reserve Bank for which Tom and I wrote a paper. We knew we were going to be outsiders, and we wanted to come on strong. We don't write papers like that for the *Journal of Political Economy*. They are very much specific to conferences. This really is very helpful, I find.

The first paper I ever wrote for a conference was "Econometric Testing of the Natural Rate Hypothesis." I knew Tobin was going to be there. And I knew that he was an honest guy and if I couldn't get through to him, it was my fault and not his fault. That really helped me in writing the paper; I tried to think about what he was going to see. I knew he and Friedman could never talk. Tobin and I haven't gotten that good at it either, but I figured that I could say what I wanted to say in a way that would get through to him, and I did.

Are you conservative?

I don't know. I thought I was at Carnegie, but around here I don't know. This place has a pretty wide spread of political opinions, and I'm never going to be anywhere near the far-right end of the spectrum for Chicago. But I'm not too close to the far-left end either. It's hard to be a conservative with the Reagan administration turning to fine-tuning, which seems insane to me. So, if being conservative means liking their economics, I guess I'm not.

But do you, more or less, agree with Friedman's ideas in Free to Choose or Capitalism and Freedom?

I like *Capitalism and Freedom* a lot. It's really written for economists in a way that *Free to Choose* isn't. *Free to Choose* gets careless about a lot of points that *Capitalism and Freedom* is very careful about.

Do you think that there are ethical problems in a capitalistic system? Do you think there is something like social injustice?

Well, sure. Governments involve social injustice.

But doesn't government try to resolve social injustice?

That wouldn't be anything like my view. I can't think of explaining the pharaohs as being in existence to resolve social injustice in Egypt. I think they perpetrated most of the injustice in Egypt.

Are you an optimist as far as the economy is concerned?

Yes, I guess so. I think most economists are. I think this economy is going to grow at 3 percent a year, no matter what happens. Forever [laughter]. One administration, like the current one, can mess things up, but that's all transient. There's an incredible amount of stability in the last 100 years of U.S. economic history. I don't know why it's there and, of course, it could disappear at any minute. So I don't know why I think it's going to go on forever.

You don't share the ideas of radicals on an imminent crisis.

They have to talk about an imminent crisis; that's their job. I don't see it.

Do you think that the distinction between the positive and the normative side of economics is useful?

Yeah. It's an essential distinction [pause]. We've been arguing about that around here a lot lately. There's a feeling, and I guess I've helped encourage it, among a lot of younger people that the politics and the political role that economists play has had a very bad effect on macroeconomics. A lot of older economists seem to me to be solely concerned with politics, as opposed to scientific matters. People are asking the wrong questions; they are taking questions from Washington, rather than thinking about what's puzzling them or taking more scientific points of view.

Macroeconomics really got itself devoted to the question "What would I do if I were on the Council?," which may or may not be an inter-

esting question for social scientists to study. It has some good effects, as it makes you think operationally. I'll often think of hypothetical policy questions, when I'm doing some theoretical work, just to force myself to be clear on what question I'm asking and what it would mean to have an answer to it. But it is certainly not the only question.

But politicians must make decisions. What can the role of economists be in this decision-making process when they can't agree?

Some people think that the most useful thing to think about is how to make things work better within the set of institutions under which our economy is operating. Others think that there are basic flaws in these institutions and that sooner or later we're going to have to reform them in some fundamental way. I can't imagine how one could prove, given the state of knowledge now, that one of those positions is correct and the other is not. Our experience is too indecisive.

I don't find it very useful to think through in very much detail how intellectuals influence things, but they do. When trouble comes in a set of institutions there's no time to think up new ones, so people take something off the shelf and do it. In the 1929 to 1932 period they went back to World War I and looked at how the economy was run then. They didn't have a good enough inventory of ideas. It was too quick. They couldn't cook up fundamental new ways of dealing with things on such short notice, so they grabbed something that was handy. And that's what societies always do in difficult situations.

A lot depends on what's around. I think Friedman's work has really proved this, in a way. A lot of the things he was writing about twenty years ago seemed almost utopian and silly for a serious person even to be thinking about, such as criticizing public housing, for which all of us had so much hope. And now twenty years later with the failure of the system, you can't find anyone who will endorse the public housing we have in Chicago. These projects are horrible places. And so you look back to the people who were explaining to you why this wasn't going to work and pay them a little more attention. The consensus of the '60s was artificial and unhealthy. Look at the way Friedman's work was criticized during that period. I think it's just a disgrace to the profession that he was treated as though he were some kind of nut. I'm glad that's changed; he was one of the most eminent scientists around.

Economic policy is not a matter for a few economists to settle. There's too much else involved in it.

But what do you say when journalists ask for your opinion on economic policy issues?

Journalists are fine-tuners. One reporter once asked me what I'd do if I were on the Council. I told him that I would resign. I guess he thought I was making fun of him. But I thought that if he was personalizing the question, it was alright if I personalized the answer. These just aren't questions that have much interest for me.

So you advocate a modest role for economists?

Again, the consensus of the '60s was a very artificial period and not at all a model for how you can expect economics normally to interact with the rest of society. At that time it looked like economics was taking over the world. You had the Kennedy Council, the tax cut (which I thought then was a good idea), and Kennedy's eloquent speech at Yale, in which he used good economic reasoning, without a lot of political nonsense. This way of thinking subsequently spread to other branches of government. It looked like rationality was settling in, but it all unraveled.

Do you oppose government activity altogether?

I don't like talking about how big government should be. I like talking about costs and benefits of particular projects. That seems to be the right way to talk about it.

As far as I see, the criticism of your approach is sometimes quite severe. People make jokes of it. Does it ever bother you that people argue that way?

We've been going through this for years, so it doesn't surprise me. If anything, I've been surprised at how generous people have been. The criticism pisses me off sometimes, and I guess it showed in that review of Tobin's book [Tobin, 1980; Lucas, 1981]. I don't think that this is an ideal way to carry on these arguments, but people are always going to make jokes. I make jokes, too, when I can think of them.

But do you have the experience that you don't know it anymore, that you wonder "Am I right?"

Yes. Sometimes I get so deep into a problem that I just lose the ability to hang on to all the pieces, and start being afraid that I'm thinking about everything in the wrong way. I read criticisms of my work that seem to me to be important, pointing up serious deficiencies in these models. But I just don't feel like working on all those problems. I don't

have any good ideas on most of them, but I've got a general confidence that they are not fundamental, although I don't know why. I don't feel personally responsible for fixing it up, so I try to encourage other people to get interested in them.

What are the problems that intrigue you right now?

I've been thinking about monetary and fiscal policy from a public finance point of view. This question of time-inconsistency. A lot of these models have the property that an optimum policy, calculated from time zero on, wouldn't, if you recalculated it from time one, be optimal to continue from time one on. In which case, unless a policy-maker could bind himself to a whole infinite sequence of future policies, you could call it optimum, but there's no way the thing could be implemented. These are just interesting problems in game theory. In the work Nancy Stokey and I are doing on this, we're abstracting from business cycles.

Have you ever considered being more serious about the theory of economic policy?

Why would policy-makers not anticipate the anticipations of the private sector?

That's the nature of the game I'm talking about. The private sector is one player, the government is another, and both of them correctly take account of the other player's actions. Kydland and Prescott are the guys who started along that line in macroeconomics.

Do you find that promising?

I think it's the only way to think about these problems in some sense [pause], but it's discouraging since we're short on good solution methods and it's easy to write down interesting definitions of equilibria that you can't do anything with. You can't prove there exist any equilibria, you can't characterize them. We're technically frustrated. In my work I always have the feeling that I can only think of one way to go: I never think of myself choosing between six different explanations for something. A typical situation is having no decent explanations for something, or one sort of half-way decent explanation. That is why econometric horse races don't interest me. You've got to get some horses first [laughter].

Do you think that what you have done is a revolution in economics?

No, I don't see that. I don't like the term. I do not consider the term "Keynesian revolution" appropriate, either. It seemed to be a more po-

litical event than a scientific event. The Depression discredited the whole profession; people were alarmed about it. The *General Theory* is a political response to the Depression and to the discrediting of conventional economics that resulted from it.

But I should acknowledge that Keynes left an opening for younger econometricians and mathematical economists to take over and to write down models. When their senior colleagues criticized their models, they could say, "Well, these are Keynesian models." And since the older people still hadn't caught up with Keynes, that shut them up. So people like Klein and Tinbergen took over because they had the exciting new methods.

Do you see that what you have started is comparable to what Keynes has done?

Well, I suppose everyone thinks his work is important. The sort of things I do are a return to a traditional research program, a pre-Keynesian research program, with the difference being that I, and people such as Sargent, are not hostile to mathematical methods. We love them [laughter]. The ideas of Hayek or Mitchell are interesting—worth building on—but their methods are not.

A lot of traditional economists were hostile to mathematical economics. I think it's an accident of timing that the early econometric, mathematical models of aggregate economies were called Keynesian.

In a way your timing was also kind of an accident, since there was a general discontent with Keynesian economics. Does that explain why your theories have gotten so much attention?

Yeah, very much so. But it's really not my theories, but those of Friedman or Phelps. They went way out on a limb in the late '60s, saying that high inflation wasn't going to give us anything by way of lower unemployment. So Friedman and Phelps have really pushed things away from the macroeconomics of the '60s, because they jumped to a general equilibrium level of thinking about these problems. You could see right away that what they were getting was a lot different from what you were getting from any of the conventional econometric models. If you look at the Phelps volume [1970] you can see where it all started. The question was how to get that down in modern mathematical theory.

But it was not easy for Friedman and Phelps in those times. Go back and look at the *Brookings Economic Papers* and you see that they were treated like crackpots. But they got lucky, I would say; it was just dumb

luck. Most samples cannot tell you which of these stories about the Phillips curve is the best one. If you just get data from the 1950s and '60s, you can never answer that question. There just wasn't enough of an experiment, there wasn't enough inflation to tell. From that point of view we got lucky [laughing] with the more recent samples. From a social point of view, however, it is not quite so lucky.



United States
of America

10 Parker
Fylm BK
THE PRESIDENT HAS SEEN
11-14-95
John Breauy

Senator John Breauy

Democrat-Louisiana

Contact: Bette Phelan, Laine Glisson, 202-224-4623; Bob Mann, 504-382-2050

FOR IMMEDIATE RELEASE

November 9, 1995

BREAUX: WELFARE REFORM FIGHT CONTINUES, MUST INCLUDE WORK

WASHINGTON (Nov. 9) -- Sen. John Breauy (D-La.) issued the following statement today on welfare reform:

"It is morally indefensible to argue that the status quo in welfare is the right position for Democrats or Republicans. No one -- Republicans or Democrats -- wants to put more children in poverty.

Today, the large numbers being bandied about Washington are not ones based on the official definition of poverty. The Senate bill does not, according to the Office of Management and Budget (OMB) analysis, put 1.2 million children in poverty, if you use the official definition of poverty.

In fact, using the official measure of poverty, OMB estimates that the Senate passed welfare bill would put 300,000 children in poverty and the Democratic welfare alternative may lift 200,000 out of poverty.

But despite the release of these new Administration numbers, it should be clear to everyone that we cannot continue to maintain a welfare program that is simply an unconditional entitlement. It should be clear that our current welfare system is already hurting millions of children.

Today, 22 percent of children live in poverty and more than 9 million children receive Aid to Families with Dependent Children (AFDC).

Work must be a part of the solution. A government check is not a substitute for a good job. Entitlement to a check, without the responsibility to community and work, is a formula for disaster.

Furthermore, welfare reform cannot be achieved by a preconceived number reached in the dark rooms by the budget conferees of just one political party in search of money to reduce the deficit and cut taxes for the rich.

(more)

Right now, real welfare reform is being held hostage to back room, GOP budget negotiations where money is being squeezed from essential social programs to pay for their promised budget cuts. And that's wrong.

This means we moderates, who still want to pass a good welfare reform bill this year, must continue to push key elements that are essential to changing welfare as we know it. We want a welfare reform bill that will:

- * **Keep additional child care funds.**
- * **Require states to contribute in a "maintenance of effort."**
- * **Strengthen child support enforcement but not punish custodial mothers.**
- * **Reject the draconian cuts in SSI for children as proposed by the House.**
- * **Maintain federal guarantees for abused and neglected children, unlike the House bill.**
- * **Maintain benefits to teen mothers who live at home and stay in school.**
- * **Reject a mandatory family cap."**

Sen. Breaux referred to the following chart during his afternoon press conference:

Number of Additional Children in Poverty in the Year 2005

	House-passed Welfare Bill	Senate-passed Welfare Bill	Senate Democratic Welfare Bill
Official Measure of Poverty	500,000	300,000	-200,000 to 200,000
Alternate Measure of Poverty	2.1 million	1.2 million	100,000 to 500,000

Source: Tables 1 and 2 of November 9, 1995 report by OMB and other agencies.

Sen. Breaux's comments from the press conference are available by calling 1-800-511-0763 or D.C. 202-228-1253 PIN #1400.

###

- While the numbers released today do concern me, I do not think they mean we should turn our backs on welfare reform. We just can't keep the status quo. We need to restructure our welfare system. We need to require people on welfare to work and to be responsible parents. Remember, the current system keeps 9 million children in poverty. Is that something we should be proud of?
- Let me make a few points about these numbers to show why I don't think they should keep us from passing a welfare reform bill this year.

- First, you should note that the statement that the Senate bill will put 1.2 million more children in poverty is based on an alternative definition of poverty never before used by the federal government. Under the official measure, which is also included in the OMB report, the Senate passed bill will increase the number of children in poverty from 15.5 to 15.8 million, or 1.9% -- still not something to be proud of, but not as dramatic a change. Note also that using the official poverty definition, the Senate Democratic alternative will not increase poverty among children. 300,000

- Second, more children will be put into poverty only if welfare reform fails. Welfare reform is about work -- about requiring people on welfare to work and giving them the tools they need to get jobs. All the welfare reform plans ever proposed -- including the Family Support Act which passed the Senate 96 to 1 in 1988 -- enforce work requirements by sanctions which cut benefits to those who don't work. No one knows for sure how many recipients will go to work and how many will refuse and take the sanctions instead. Under welfare reform, some families will go to work and will be better off. Some may refuse to work and will be worse off. We don't really know how many will be in each category. This analysis assumes 60% will reach the end of the five year time limit without finding a job. It assumes welfare reform fails.

- Third, this analysis contradicts the best findings we have about welfare reform. The GAIN program in California, which has been rigorously studied by the Manpower Demonstration Research Corporation, improved the economic well-being of welfare families. In all six counties studied -- including average performers as well as high performing Riverside county -- families had a net gain in income. On average, welfare recipients gained \$923 dollars -- using a definition of income similar to the alternative one used by OMB.

Number of Additional Children in Poverty in the Year 2005

	House-passed Welfare Bill	Senate-passed Welfare Bill	Senate Democratic Welfare Bill
Official Measure of Poverty	500,000	300,000	-200,000 to 200,000
Alternate Measure of Poverty	2.1 million	1.2 million	100,000 to 500,000

Source: Tables 1 and 2 of November 9, 1995 report by OMB and other agencies.

Differences between the Official and Alternate Measures of Poverty in the OMB Report

Includes as Income	Official Measure of Poverty	Alternate Measure of Poverty
Earned income	Yes	Yes
Cash assistance (AFDC, SSI, Social Security)	Yes	Yes
Food Stamps	No	Yes
School Lunch	No	Yes
EITC	No	Yes
Housing Assistance	No	Yes

BACKGROUND INFORMATION OMB REPORT ON WELFARE REFORM

Findings of the Report

The report compares the welfare bills passed by the House and Senate and proposed by the Senate Democrats. It also examines the income distributional effects of the GOP budget.

The report estimates how many children will be put into poverty by both plans. The report uses two different definitions of poverty -- the official poverty measure and an alternative. It is under the alternative -- not the official measure -- that over one million children are put into poverty. The report presents a range for the Democratic alternative because OMB did not have time to develop a full model of the effects of the plan.

Number of Additional Children in Poverty in the Year 2005

	House-passed Welfare Bill	Senate-passed Welfare Bill	Senate Democratic Welfare Bill
Official Measure of Poverty	500,000	300,000	-200,000 to 200,000
Alternate Measure of Poverty	2.1 million	1.2 million	100,000 to 500,000

It's important to note that the 1.2 million figure is reached using an alternate definition of poverty never before relied upon by the federal government. When people say "poverty" they usually mean the official poverty measure, which counts only a family's cash income (such as AFDC, SSI, and Social Security checks). Using the official measure of poverty, the Senate passed bill would increase the number of children in poverty from 15.5 million to 15.8 million, or an increase of 1.9 percent. Under the official poverty measure, the Senate Democratic alternative would not increase poverty at all. The alternate measure counts cash and in-kind income (such as food stamps and EITC as well as AFDC, SSI, and Social Security), which exaggerates the "poverty" effect of the bills.

November 1, 1995
Dear Mr. President, ^{nauree 1995}
I hope that this letter ^{MC. Foster}
finds all well with you.
I am writing this letter to
recommend two people who,
I believe, should be invited
to the Presidential Conference
on HIV/AIDS on Dec 2, 1995. The
first one is Dr. John Anderson
of Washington, D.C. I have known
Dr. Anderson for over five
years and have been very
impressed with his depth
of knowledge, frontline
experience and his never
ending dedication to the
fight against HIV and AIDS.
To sum up why I think
that John should attend in
a few words, I'd say: it would
be his depth of knowledge
on the area of Behavioral
Research on HIV/AIDS and
more importantly, his

2

innovative approach to training. As you will be able to see from the inclosure I've provided, his training expertise lies in many areas of HIV/AIDS education and care. The second person I would like to recommend to me, as you know, I've been involved in HIV/AIDS care, education and prevention in Arkansas since the epidemic started here in the mid eighties. I've done it all from testing people for HIV to burying those who have died from AIDS. I will bring to the conference my vast experience and expertise in Direct patient care and case management also how to work through the 'system' when there isn't one or at the very best the one in place is inadequate

Both John and I have been³.
on the frontlines of this
epidemic in professional
and personal ways. You
need us at this Conference.
Also December 1st is World
AIDS Day. It would be
a perfect time for our
visit to Good and Friends
and Grandma's house.

The visit would give you
the first hand knowledge
that no other US President
has bothered to get. The
visits would say more about
your commitment than you
could ever say.

I know that you are
swamped so I'll keep this
short. John and I look
forward to hearing from
you and Billy Webster.
Sincerely
Duth Burly

P.S.,

If only one of us
can be invited let it
be John. He has the
ability to reach more
people than I do.

RB

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. resume	[Personally Identifiable Information] [partial] (1 page)	11/03/1995	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 7691

FOLDER TITLE:

Chron Files November 12-18, 1995 [1]

2019-0774-S

rs3298

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

CURRICULUM VITAE

John R. Anderson, PhD

District of Columbia License *1571

Maryland License *2500

Work Addresses: Office on AIDS
American Psychological Association
750 First Street, NE
Washington, DC 20002-4242

Phone: (202) 336-6051 Fax (202) 336-6040

PERSONAL INFORMATION

Home Address: 1276 North Wayne Street, PH11
Arlington, VA 22201
(703) 525-0580

Date of Birth: (b)(6)
Age: 42
Marital Status: Single

EDUCATION

Undergraduate: Southern Methodist University
August 1971 - December 1975
Degree: Bachelor of Business Administration

Graduate: Stephen F. Austin State University
August 1977 - May 1980
Degree: Master of Arts in Clinical Psychology

University of Kansas
August 1980 - February 1988
Degree: PhD in Clinical Psychology

Internship: George Washington University Medical Center
Washington, DC
Internship Director: Robert L. Jenkins, PhD
July 1986 - July 1987

Residency: DC Institute of Hypnotherapy
Washington, DC
Director: Colin Frank, PhD
July 1987 - July 1988

CURRENT POSITIONS**Private Practice**

Washington, DC & Bethesda, MD

March 1988 - Present

Duties Include:

- 1) Providing individual, couple, family, group, and hypnosis therapies
- 2) Conducting psychological assessments
- 3) Specializing in work with people with HIV Disease, cancer, and other chronic illnesses

Director, HIV Office for Psychology Education

American Psychological Association, Washington, DC

October 1991 - Present

Duties Include:

- 1) Directing the American Psychological Association's (APA's) \$600,000.00 contract with the National Institute of Mental Health created for the purpose of establishing a nationwide program for training psychologists about working with people infected and affected by HIV disease
- 2) Developing model curricula for educating psychologists about working with people infected and affected by HIV disease
- 3) Recruiting nationally recognized experts in the areas of HIV services, research, and training to serve as senior faculty for training regional networks of psychologist trainers
- 4) Planning and coordinating four-day Regional Training Conferences in which senior faculty train regional networks of psychologist trainers how to use model curricula and how to set up effective HIV-related continuing education workshops for psychologists in their area
- 5) Providing technical assistance and support to regional networks of psychologist trainers as they conduct HIV-related continuing education programs for psychologists in their area
- 6) Promoting linkages between health and mental health care service delivery systems and between training programs in psychology, social work, medicine, and nursing to ensure coordinated and comprehensive psychosocial care for persons infected and affected by HIV disease
- 7) Providing technical assistance and consultation to members of APA involved in research, education, and service delivery associated with HIV disease
- 8) Supervising three people working in APA's Office on AIDS

John R. Anderson, PhD
Page 3

CLINICAL EMPLOYMENT

Chief Resident

DC Institute of Hypnotherapy
Washington, DC

Supervisor: Colin Frank, PhD
August 1988 - May 1989

Duties Included:

- 1) Coordinating intake services
- 2) Conducting intake assessments
- 3) Supervision of post-graduate trainees
- 4) Conducting demonstration cases of individual hypnotherapy

Program Consultant

Osawatomie State Hospital
Osawatomie, Kansas

Supervisor: Joanne Hindeman, PhD
August 1985 - June 1986

Duties Included:

- 1) Providing client-centered clinical consultation to multi-disciplinary staff of transitional care unit of a state hospital
- 2) Designing treatment program policies, procedures, and objectives for transitional care unit
- 3) Conducting group psychotherapy and anger management groups for inpatients
- 4) Providing individual therapy and psychological assessments for inpatients
- 5) Conducting staff development groups

Staff Psychologist

Osawatomie State Hospital
Osawatomie, Kansas

Supervisor: Brad Kahler, PhD
August 1984 - August 1985

Duties Included:

- 1) Providing psychological assessments and conducting multi-disciplinary staffing for admissions to Young Adult and Adult Admissions Units
- 2) Providing individual, group, and family therapies for inpatients
- 3) Developing treatment programs for inpatients
- 4) Conducting in-service training for staff
- 5) Providing supervision of counseling conducted by Licensed Mental Health Workers
- 6) Providing program-centered consultation to the Team Consultants Unit of the state hospital

John R. Anderson, PhD
Page 4

Private Practice Associate

Private Practice, Gerald Gentry, PhD
Olathe, Kansas
October 1984 - May 1985

Duties Included:

- 1) Providing psychological evaluations for inpatients and outpatients referred by physicians in the Kansas City area

School Psychologist

Supervisors: Ray Eastman, PhD and Larry Pollock, PhD
Nacogdoches, Texas
December 1979 - August 1980

Duties Included:

- 1) Providing intellectual, educational and psychological assessments, and individual and family therapies for children and adolescents referred to the Special Education Department of the Lufkin, Texas Independent School District
- 2) Consulting with principals and classroom teachers to develop procedures for meeting legal obligations as set forth in PL94-142
- 3) Participating in Individual Educational Planning Conferences
- 4) Consulting with special education teachers to design and implement contingency management programs for special education classrooms

Psychological Resident

Nacogdoches Medical Center Hospital
Supervisors: Ray Eastman, PhD & Max Himel, MD
May 1979 - December 1979

Duties Included:

- 1) Developing intake, assessment, ward, and after-care procedures for a newly established psychiatric ward of a general hospital
- 2) Developing treatment plans for psychiatric patients
- 3) Providing psychological assessments for inpatients and outpatients
- 4) Providing individual, group, family, and biofeedback therapies for inpatients and outpatients
- 5) Conducting staff development groups to aid with the resolution of procedural and interpersonal staff conflicts
- 6) Conducting in-service seminars on biofeedback and pain management for physical therapy and psychiatric nursing staffs

John R. Anderson, PhD
Page 7

TRAINING & TEACHING EMPLOYMENT

Director, AIDS Community Training Project

American Psychological Association, Washington, DC

June 1989 - September 1991

Duties Include:

- 1) Directing the American Psychological Association's (APA's) \$750,000.00 contract with the National Institute of Mental Health for training health and mental health care providers about psychosocial interventions for people with HIV Disease
- 2) Coordinating three-day AIDS Community Training (ACT) Conferences in twelve medium-sized cities across the country
- 3) Conducting pre-conference site visits to determine AIDS-related training needs of caregivers working in private practice, hospitals, health clinics, community mental health centers, home health care agencies, substance abuse clinics, street outreach programs, community-based AIDS service organizations, pastoral counseling facilities, social service agencies, and departments of public health.
- 4) Promoting linkages between health and mental health care service delivery systems and training programs in psychology social work, medicine, and nursing
- 5) Providing technical assistance to health care delivery institutions and community-based agencies involved in delivering services to people with HIV disease
- 6) Developing AIDS-related curricula for training conferences, symposia, and workshops sponsored by the Continuing Education Committee of APA
- 7) Providing technical assistance and consultation to members of APA involved in research, education, and service delivery associated with HIV disease
- 8) Supervising four people working in APA's Office on AIDS

Assistant Director, AIDS Community Training Project

American Psychological Association, Washington, DC

June 1988 - June 1989

Duties included:

- 1) Managed logistics of three-day AIDS Community Training (ACT) Conferences for health and mental health care providers in four medium-sized cities across the country
- 2) Assisted in developing AIDS-related curricula for training conferences, symposia, and workshops sponsored by the Continuing Education Committee of APA
- 3) Assisted in providing technical assistance and consultation to members of APA involved in research, education, and service delivery associated with HIV disease
- 4) Assisted in developing measurement instruments and methodological procedures for evaluating the impact of ACT Conferences
- 5) Supervised one person working in APA's Office on AIDS

November 3 1995

Attn: Maureen Lewis
From: Ruth Burks Hot Springs, AR
To: Resident Bill Clinton.

Maureen,

Here are the pages that I spoke to you about. Pages 1-4 & 7. I will mail the entirety this afternoon. Please explain to the Resident that I left this out of the overnight package. Also, please tell him that most of the people who were involved in AIDS Direct care in the beginning of this epidemic are now dead. We dying were taking care of each other. That's where my experience is critical to this conference.

Thank you,
Sincerely,
Ruth Burks

RUTH COKER-BURKS
(501) 623-0444

PO Box 1433
Hot Springs, AR 71902

Professional Experience

Executive Director, Helping People With AIDS, Little Rock, AR, 1991-¹⁹⁹⁴present:

- * Conduct financial and social service needs assessments for clients living with AIDS, allocate distribution of financial support, and assist clients in working their way through the social service delivery system;
- * Perform all fund-raising, including solicitation of financial contributions and donation of in-kind services, organization of fund-raisers, and coordination of benefit events with community charitable foundations;
- * Design and present community-based awareness and prevention education and outreach programs.

On-site Conference Coordinator, AIDS Community Training Project, American Psychological Association, Washington, DC, 1990-1991:

- * Initiated proposal to APA staff which lead to the presentation of the most successful and widely attended of eleven NIMH funded AIDS Community Training Conferences in Little Rock, AR;
- * Organized comprehensive, week-long, state-wide needs assessment site visit for APA staff and faculty consultant;
- * Supervised volunteer recruitment, solicited community endorsements and funding, and coordinated conference logistics.

Sales Representative, Sunbay Resort Hotel, Hot Springs, AR, 1988-1990:

- * Developed a loyal customer base and increased sales volume through personal attention to customers;
- * Consistently ranked among the top three sales representatives in a 32 person sales force;
- * Implemented monthly newsletter serving four resort communities.

Marketing Director/Sales Representative, South Shore Lake Resort, Hot Springs, AR, 1984-1987:

- * Developed innovative concepts and strategies to persuade potential customers to visit the resort which increased overall sales by 42% over a three month period and reduced marketing costs by 150%;
- * Coordinated, managed, and trained a 23 person telemarketing staff;
- * Developed and implemented a liaison program between resort property owners and management which is still highly effective today.

Volunteer Experience

Freelance Community-based Case Manager and HIV/AIDS Educator, Hot Springs, AR, 1987-1991:

- * In the absence of an institutional response to HIV in Garland County, initiated a program of HIV/AIDS educational outreach to parks and bars as well as speaking to church, school, medical, and business groups;
- * Provided case management services to people newly diagnosed with AIDS, including coordination of documentation for SSI and Medicaid benefits, food stamps, housing and utilities assistance; identification of appropriate health and dental care providers and pharmacists; arrangement of appointments and transportation, and organization of home-based files of complete medical records and benefit support documentation;

Feb. 4, 1991

The Sentinel-Record



35 cents

"Serving the National Park since 1877"

Caring for AIDS patients calling for Spa resident

By Laura R. Felder
Staff Writer

Ruth Burks found her true calling on Christmas 1987.

The Hot Springs resident was visiting an AIDS patient, lying near death, in a Little Rock hospital. The man had developed dementia and repeatedly called for his mother.

When Burks realized his mother would not come, she stayed in the room and soothed the man.

"He was so relaxed and in peace, I couldn't leave," she said. "I ended up staying there until the man died."

"That's when I was hooked. I'd be doggone if I let another person die alone."

Since then, Burks, 31, has spent countless hours working with people who have Acquired Immune Deficiency Syndrome, and educating others about the disease.

AIDS is a fatal disease caused by a virus that breaks down the body's immune system, leaving people with the virus susceptible to a variety of illnesses.

"When I first started, I was afraid to tell anyone what I was doing," she said.

She said she was afraid the stigma attached to the disease would turn away her friends.

See CALLING on Page 2-A



PHOTO BY DAVID VANN

CARE GIVER - Ruth Burks was nominated recently for an Arkansas Community Services Award for the Arkansas Division of Volunteers, mainly because of her volunteer work with patients with Acquired Immune Deficiency Syndrome. Burks has been taking care of people with AIDS since 1987 and was instrumental in bringing an AIDS conference to Little Rock this month.

CALLING

From Page One

One thing that made her open about her involvement was when she took her eight-year-old daughter, five at the time, to visit some AIDS patients.

"I said she couldn't tell anyone where we were," Burks said. "It really bothered me telling her that."

She said once Allison, her daughter, started talking about it to her classmates, Burks realized people were curious about the disease more than scared and judgmental.

"My big emphasis is on education," Burks said.

"I'm very open about it. I talk about it all the time."

Burks, a Hot Springs native, thinks educating youths about the disease will slow the pace it is being spread. AIDS currently is growing by 32 percent per year in Arkansas, as opposed to the five percent increases in urban, metropolitan areas.

"I want my daughter to be prepared and have compassion," she said.

"Chances are if you wait until your child is 16, 18, 19, to have a father-son talk, it'll be too late We've got to protect our children."

She called Hot Springs, with the number of people who visit, a "hotbed" for the AIDS virus.

"People like to spread a little cheer when they party here," she said.

She said her favorite way to approach the subject is with humor.

"You can approach it in so many different ways There's no reason not to be educated."

Burks recently attended a AIDS conference in Memphis, Tenn., to further educate herself about the disease and how to deal with it.

"These were real people talking to us about a real subject."

Some conference leaders came to Arkansas and Burks took them to hospitals and AIDS support groups around the state.

After the tour, a conference was set for February 14-16 in Little Rock. A symposium on AIDS on Ethnic Minority Communities will be Feb. 14 in conjunction with the AIDS Community Training (ACT) Conference Feb. 15-16, at the Camel Hotel. The ACT Conference is sponsored in part by the American Psychological Association, of which Burks is a volunteer consultant.

Burks' latest target is children who have a parent with AIDS. Besides the additional burden on the social service funds, like social security, the children would receive when the parent dies, Burks is concerned with the psychological effects on the youths.

Burks thinks people may be getting a test on how they react to those with AIDS.

"How do we know this is God's call to Christians? We're just now getting the chance to give unconditional love and like people for who they are."

THE WHITE HOUSE
WASHINGTON

cc w/line.
Bob Wash
Mack McLarty
Pls try to keep
(I spoke w/ Bob Wash &
Patti McLarty re: this)

November 13, 1995

Kay M. McClanahan
Apartment 932
4600 South Four Mile Run
Alexandria, Virginia 22314

Dear Kay:

Thanks for your letter of November 1 and for the update. I know Mack and Bob are working hard to find something for you in the Administration and that they'll continue doing all they can to help. Please know how very much I appreciate your desire to serve our country.

It was so good to visit with you at the concert, and I hope you'll keep me informed about the interviewing process. See you soon.

Sincerely,

Bill

emailed
Bob Nye 11/2

KAY M. McCLANAHAN
4600 S. Four Mile Run #932
Alexandria, Virginia 22314
703-820-7327

*Memo
cc to Mack
(get report from
Bob Nash &
Mack Mack
or Nye)*

November 1, 1995

The President
The White House
1600 Pennsylvania Avenue
Washington, DC 20005

Dear Mr. President:

As I mentioned to you at the "Concert on the South Lawn" for Arkansans (which was a wonderful event by the way) Mack contacted me about eventually working with him on the next Hemispheric Conference. For now, however, since my current position ends in a few days, Mack and Bob Nash have encouraged me to work with them to find something appropriate in the administration. I am delighted and eager to begin after all this time. I was recently interviewed by Dr. Joe Nye for the position of Deputy Assistant Secretary of Defense for Inter-American Affairs. Although I was not chosen, I was honored to be considered.

In my search you might be interested to know what I have learned concerning the Organization of American States. Of the 32 Country Director positions at the OAS states 24 directorships are held by men, none are held by women, and eight are vacant. The vacant positions are:

- | | |
|-------------|------------------------|
| Bahamas | Jamaica |
| Bolivia | Panama |
| Ecuador | Paraguay |
| El Salvador | The Dominican Republic |

I would be happy to serve in any country, and already have ties to a number listed here. Some of these connections are described briefly in a memo I sent to both Mack and Bob.

On another subject, Betsy Myers' new position and the briefings being given to women on various topics are a terrific idea. I recently attended one on the Impact of the Republican Budget on Women. The speakers were focused and effective, offering great arguments for us to use. You'll see the results in the campaign. The presentation by Hillary, Donna Shalala and Madeleine Albright on the Beijing Conference was also wonderful. I have to keep pinching myself to make sure I'm really having these opportunities.

Thank you again for your interest on my behalf.

Most sincerely,

Kay
Kay McClanahan

DEVELOPMENT ASSOCIATES, INC.
1730 North Lynn Street
Arlington, Virginia 22209-2023, U.S.A.
Tel. No. (703) 276-0677; Fax No. (703) 276-0432

Facsimile Cover Page

TO: Betty Curry
FROM: Kay McClanahan
FAX No: 202-456-2883 **DATE:** November 1, 1995
TEL NO: 202-456 2990 **CHARGE TO:**

Dear Betty,

Thanks alot for passing this on for me. My parents finally got the pictures from the Oval Office from this summer. Believe it or not the Cleburne County Sun Times (which comes out Wednesdays and Fridays) ran the picture on the front page even though it was five month old news. Among other nice comments the article gave The President credit for being the good friend that he is. On one side was an article about the local Humane Society and on the other, an announcement that John Sununu would be speaking that night at Harding College in Searcy. Small towns are great!

Hope to see you soon,


Kay

No. of pages, including cover page: 2

Note: If you do not receive all of the following pages or they are not legible, please call us on the telephone number listed above.

The information contained in this facsimile message is confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are requested not to disseminate, distribute or copy this communication. If you have received this communication in error, please immediately notify us by telephone and return the original message to Sender at the above address via regular mail. Thank you.

Scheduling
11/13/95
sent copy
S



THE PRESIDENT HAS SEEN

11.9.95

Carried up
not a bad idea
to meet w/ their groups
to do it
family group
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.

National Office:
707 Conservation Lane Gaithersburg, Maryland 20878-2983
Phone: (301) 548-0150 Fax: (301) 548-0146



Midwest Office:
5701 Normandale Road Minneapolis, Minnesota 55424
Phone: (612) 922-1608 Fax: (612) 922-0240

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.

THE PRESIDENT HAS DIED 11-13-95

Laure / EB / Leon

P.F. -> should
~~emphasize~~ before
going to Japan,
of age —

Went over

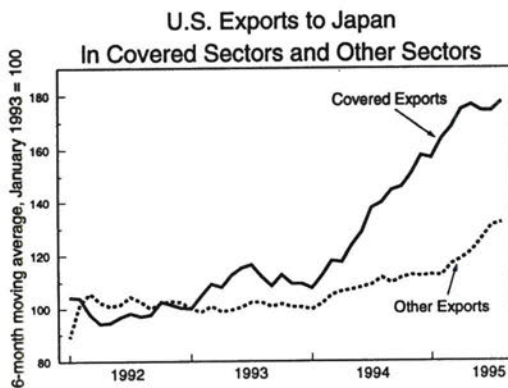
MP 6, 8 — BC

SPECIAL ANALYSIS

U.S. Trade Policy with Japan: Assessing the Record

The Council of Economic Advisers and the Treasury Department recently released an interim assessment of the Administration's trade policy with Japan that finds evidence of improved access to Japan's markets. Although the solid export performance detailed in the report has been influenced by a variety of factors, the Administration's trade agreements with Japan appear to have contributed to the growth in exports.

Export growth is strong. The report shows that, since the beginning of the Administration, growth in U.S. exports to Japan has been strong—more than twice the growth in U.S. exports to the European Union. Moreover, export growth in sectors covered by Clinton Administration trade agreements has been even stronger.



U.S. exports to Japan in sectors covered by Clinton Administration trade agreements have grown nearly 80 percent since January 1993, or about twice as fast as other exports to Japan (see chart). Furthermore, growth in U.S. exports to Japan in these sectors has been accelerating—exports in these sectors grew one-

seventh in 1993, one-quarter in 1994, and by nearly one-third in the first 8 months of 1995.

Sectoral successes. The report also details gains in specific sectors where there has been sufficient time since the agreements were signed to judge the results:

- U.S. exports to Japan of medical instruments have grown over 50 percent since an agreement on public sector procurement of medical technology was signed in November 1994. This is over twice the rate of growth of U.S. medical-instrument exports to the European Union.
- Since the agreement on cellular telephones was signed in March 1994 and the Japanese Government instituted deregulation measures, subscribers in the Tokyo-Nagoya region have grown from 22,000 to 500,000. Motorola, which had tried unsuccessfully for years to break into this market, provides the bulk of equipment to build and maintain this system, with sales in the hundreds-of-millions of dollars per year.
- The Administration targeted apples as one of its first bilateral trade initiatives with Japan. Whereas U.S. apple exports to Japan were once banned, apple exports are now expected to reach \$15 million in 1995.

ARTICLE

District of Columbia's Economy Struggles with Job Loss

A bill recently passed by the House would set spending for the District of Columbia at \$4.9 billion for fiscal year 1996, representing a reduction of \$256 million below the budget level recommended by the District's financial control board. This proposed cut comes at a time when the District's economy is struggling to cope with substantial job loss due to continuing downsizing of the Federal and local governments, as well as its ongoing budgetary and social problems.



Analysis. The District has shed nearly 45,000 jobs—about 6.5 percent—over the past 5 years. While a fall in private-sector jobs drove the decline during the early 1990s, a sharp reduction in government jobs (24,000 Federal and 7,000 local) was responsible for the decline over the past 2 years (see chart).



Jobs in the District, of course, can be held by residents of neighboring states, and District residents likewise can hold jobs outside the District, so changes in jobs don't translate directly into changes in employment of District residents. In fact, the drop in employment of District residents has been relatively greater than the number of jobs eliminated in the District would suggest. Employment has declined 18 percent over the past 5 years, and about 20 percent since it peaked in 1988.

This drop in employment has nearly doubled the District's unemployment rate, from 4.8 percent in 1988 to 9.1 percent today. By comparison, the national rate was 5.5 percent in 1988, the same as today. The weak job market has been one factor pushing more residents on to public assistance, and causing Federal and local government transfer payments to increase 20 percent since 1988 (see chart).

Outlook. With further cutbacks in Federal employment likely, the District's future employment prospects depend on job creation in the private sector. On this score the outlook is uncertain: although activity appears to have picked up

11-13-95

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Budget Cuts Threaten Federal Statistics Agencies. Both the House and Senate Appropriations bills include sizable cuts (relative to Administration requests) in the budgets for the major Federal statistics agencies. The Bureau of the Census has said these cuts will require a large reduction in preparatory activities for the 2000 Decennial Census and elimination of some data gathering necessary for scheduled improvements of the National Accounts. The Bureau of Economic Analysis will have to end tabulation of regional, state, and local data. Perhaps the highest profile cut, however, is to the Bureau of Labor Statistics, for which the Administration requested \$377 million, while the House budget was \$30 million less, and the Senate Appropriations Committee was \$46 million less. If such cuts are enacted, BLS likely will be forced to slow its research into correcting ways in which the Consumer Price Index overstates rises in the cost of living. Such corrections would have powerful effects on budget projections. In reaction, Republican Congressional leaders recently have changed their tune and asked the BLS whether it needs more funding to carry out such research.

NO-USE
Census - all data
BLS - it will
look like
tabulation
by BLS -

Official Warns Banks About Increasing Loan Risk. The nation's 40 largest federally chartered banks have relaxed standards for consumer loans, according to a survey and letter released by the Comptroller of the Currency. The survey found that 48 percent of the banks had eased home equity lending standards. Of the banks loosening standards, more than half said they are lowering collateral requirements, with some reporting higher maximum credit lines. Standards for indirect consumer lending (e.g., credit card balances) eased at 33 percent of the surveyed banks, while 35 percent reported somewhat increased credit risk in this area. The study also found that banks made more exceptions for individual loans not conforming to the banks' established policies. The Comptroller concluded his letter to the banks by expressing concern that banks not lose sight of the added risk.

Education Department Releases Annual Report. In its annual study entitled, "The Condition of Education," the Department of Education reports that the drop-out rate for students in grades 10 to 12 held steady between 1992 and 1993. The study also finds that high school graduates have taken more courses overall, particularly in core academic fields. While the share taking remedial math courses fell from 33 percent in 1982 to 17 percent in 1992, the proportion taking both advanced algebra and geometry rose from 29 percent to 50 percent. In addition, the study finds that more high school graduates are choosing to go to college immediately after high school graduation, though it is very common for college students to enroll, leave, possibly return, and thus not finish within the expected period of time.

11-13-95

To: President Clinton

From: Ann Lewis

Date: November 8, 1995

I met with Drs. Steve Gleason and Rick Boxer this morning to discuss how we can best move forward with the tremendous resources represented by the NHPC. We agreed on the following:

good
✓ - We will try to schedule a December event for their 80-100 person speakers bureau, which includes their top leaders. This day would include a briefing on current status of health and other domestic policy issues, a tour of the holiday decorations, and a meeting at the campaign for a more political briefing.

✓ - We will build on this event as the next step in increasing contact with the speakers bureau. Meanwhile, we will begin to design a 1996 surrogates campaign that has been updated for issues, language, etc.

✓ - We will make a desk available to them at the headquarters with a volunteer assigned to serve as their presence here. They will consider how such a position should eventually be staffed; they would prefer someone already familiar with NHPC.

✓ - NHPC is a 501(c)(3) with a mailing list of 10,000 names and a 501(c)(4) which has been established but not used. We will design a mail plan with them by which the (c)(4), as the action arm, can mail to the (c)(3) list, asking for support and giving more electorally oriented information. This program should enable us to mail 4 times to the entire membership at little or no cost.

✓ - Message: We talked about the health care message for 1996 and the importance of including the right reference to health care within the basic message. Among the likely components:

- post-budget, appropriate reference to Medicare, Medicaid, etc;
- inclusion of family safety and health, which would include the need for basic regulations such as nursing home standards;
- violence (this could be another component of family safety and health, above);
- children and children's health

Other issues, including women's health, will also be important either for the main message or for surrogates.

✓ - Convention and delegate selection: We talked about a health care event at the convention and they asked for a staff contact at the convention. We also introduced them to Jeff Forbes to begin talking about delegate selection.

cc: Harold Ickes/Doug Sosnik

CLINTON/GORE '96

P.O. BOX 19300 WASHINGTON, D.C. 20036-9300 PHONE 202/331-1996

*Paid for by the Clinton/Gore '96 Primary Committee, Inc.**Contributions to Clinton/Gore '96 are not Tax Deductible.*

THE PRESIDENT HAS SEEN
11-9-95

THE WHITE HOUSE
WASHINGTON

October 27, 1995

95 OCT 31 16:56

MEMORANDUM FOR THE PRESIDENT

FROM: PATRICK J. GRIFFIN *PJG*
SUBJECT: CONGRESSIONAL CORRESPONDENCE

Attached are letters from Sen. Harry Reid (D-NV) and Rep. Patricia Schroeder (D-CO) that I thought you might like to see.

11-13

Copy to Jocelyn Jolley

M

*Send Pat's
copies of ~~the~~
New York
radio address on
WJMU vs WOHU*

*Copies of
Oct 14 Radio Address
&
Oct 16 Austin Speech
sent to Congressional
for dispatch to Patricia
Schroeder.*

HARRY REID
NEVADA



10.25.95

Dear Mr. Pres.,

Your intervention regarding nuclear waste, on the energy & water appropriation bill was the fair & reasonable thing to do. A positive result was reached because of you. Nevada is grateful as am I.

Sincerely,
Harry Reid



HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

PATRICIA SCHROEDER
FIRST DISTRICT, COLORADO

Pres. Clinton
Thanks so much for
doing your radio address on
violence against women.
You're a great leader on
that issue. Also thanks
for the speech on racism.
It hit a nerve and
issued a challenge.
Fight On!
Pat

05 00-18 AG 100

RADIO ADDRESS BY THE PRESIDENT TO THE NATION

October 14, 1995

The Roosevelt Room

Good morning. In recent weeks, all of us have had reason to focus on two of the biggest problems facing our country -- the problem of continuing racial divisions and the problem of violence in our homes, violence against women and children.

Today, I want to talk to you about that violence in our homes. It is prevalent, unforgivable and sometimes deadly. In the latest statistics from the Justice Department, we find that close to a third of all women murdered in this country were killed by their husbands, former husbands or boyfriends.

For too long, domestic violence has been swept under the rug, treated as a private family matter that was nobody's business but those involved. Fortunately, that's changing.

In recent years, a huge public outcry against domestic violence has been rising all across the nation. In our churches, schools and throughout communities, we've begun to bring this problem out in the open and deal with it. Now everyone knows it is cowardly, destructive of families, immoral and criminal to abuse the women in our families.

Just last week at the White House, I met with a group of women who are survivors of domestic abuse. One woman told me of being battered and terrorized for more than 20 years, all the while blaming herself for the brutality she endured. It wasn't until her husband attacked her son that she got up the courage to leave the marriage and to seek help.

It's important to remember that when children witness or are victimized by violence in the home, they often later grow up to abuse their own families. So it can become a vicious cycle, as many abusers were once those abused themselves.

The good news is we can do something about this. The same day I met with the women survivors, I also met a remarkable Nashville police sergeant named Mark Wynn, a young man who himself grew up in a home where his father abused his mother and the children. But that experience motivated him to become a police officer and to dedicate his life to preventing domestic violence. For the past 10 years, he's been educating police nationwide about the seriousness of this problem and what to do about it. And he spearheaded the creation of a special domestic violence unit in the Nashville Police Department that has helped to reduce domestic murders by 70 percent in the last six months alone.

One year ago, we made a major commitment in Washington to ensuring the securities of our families with the bipartisan passage of my anti-crime bill. That law banned assault weapons from our streets and our schools and imposed tougher penalties for repeat offenders, including the three-strikes-and-your-out law. It provided resources for community-based prevention programs to give our children something to say yes to. And it put 100,000 more police officers behind our efforts at effective community policing. That's an increase of about 20 percent in the number of police who are protecting our citizens. In just a year, 25,000 of these new officers are already out there working to help make your life safer. And I've put aside \$20 million to train our police to effectively deal with the problems of domestic violence.

The Crime Bill also included the landmark Violence Against Women Act. For the first time in our history, the federal government is now a full partner in the effort to stop domestic violence. The Violence Against Women Act combines tough new sanctions against abusers with assistance to police, to prosecutors and to shelters in the fight against domestic violence.

Just last week, we awarded grants to organizations in 16 different states to assist in their efforts to stop the violence and support the victims. And soon we'll establish an 800 number where women facing abuse can get assistance, counseling and shelter.

Yet at the very moment our nation has been focused on the abuse against women by their husbands -- or former husbands or boyfriends -- the House of Representatives has voted to cut \$50 million from our efforts to protect battered women and their children, to preserve families and to punish these crimes. I'm happy that the Senate agreed with me to fully fund the Violence Against Women Act, and I certainly hope the House will reconsider its decision.

Violence against women within our families will not go away unless we all take responsibility for ending it. So let me close today by speaking directly to the men of America -- not just as President, or a father or a husband, but also as a son who has seen domestic violence firsthand.

We all know how much we owe to the sacrifices of the women who are our mothers, our wives, our sisters, our daughters. I was fortunate enough to be raised by a loving mother who taught me right from wrong and made me believe I could accomplish anything I was willing to work hard for. Hillary and I were blessed to celebrate our 20th wedding anniversary just this week. And of course, our daughter Chelsea is the great joy of our lives.

I know that all of us support stronger law enforcement efforts to deal with violence against all of the mothers, all of the wives, all of the daughters in America. But the real solution to this problem starts with us, with our personal responsibility and a simple pledge that we will never, never lift a hand against a woman for as long as we live. And that we will teach our children that violence is never the answer. Then we can do all we can to end violence in our homes, in our neighborhoods and in everyone else's homes and neighborhoods throughout our beloved country.

Thank you for listening.

REMARKS BY THE PRESIDENT
IN ADDRESS TO THE LIZ SUTHERLAND CARPENTER
DISTINGUISHED LECTURESHIP
IN THE HUMANITIES AND SCIENCES

The Erwin Center
The University of Texas at Austin
Austin, Texas

October 16, 1995

My fellow Americans, I want to begin by telling you that I am hopeful about America. When I looked at Nikole Bell up here introducing me, and I shook hands with these other young students, I looked into their eyes, and I saw the AmeriCorps button on that gentlemen's shirt, I was reminded, as I talk about this thorny subject of race today, of what Winston Churchill said about the United States when President Roosevelt was trying to pass the Lend-Lease Act so that we could help Britain in their war against Nazi Germany before we, ourselves, were involved. And for a good while the issue was hanging fire. And it was unclear whether the Congress would permit us to help Britain, who at that time was the only bulwark against tyranny in Europe.

And Winston Churchill said, "I have great confidence in the judgment and the common sense of the American people and their leaders. They invariably do the right thing after they have examined every other alternative." So I say to you, let me begin by saying that I can see in the eyes of these students and in the spirit of this moment, we will do the right thing.

In recent weeks, every one of us has been made aware of a simple truth -- white Americans and black Americans often see the same world in drastically different ways -- ways that go beyond and beneath the Simpson trial and its aftermath, which brought these perceptions so starkly into the open.

The rift we see before us that is tearing at the heart of America exists in spite of the remarkable progress black Americans have made in the last generation, since Martin Luther King swept America up in his dream and President Johnson spoke so powerfully for the dignity of man and the destiny of democracy in demanding that Congress guarantee full voting rights to blacks. The rift between blacks and whites exists still in a very special way in America, in spite of the fact that we have become much more racially and ethnically diverse, and that Hispanic Americans -- themselves no strangers to discrimination -- are now almost 10 percent of our national population.

The reasons for this divide are many. Some are rooted in the awful history and stubborn persistence of racism. Some are rooted in the different ways we experience the threats of modern life to personal security, family values, and strong communities. Some are rooted in the fact that we still haven't learned to talk frankly, to listen carefully, and to work together across racial lines.

Almost 30 years ago, Dr. Martin Luther King took his last march with sanitation workers in Memphis. They marched for dignity, equality, and economic justice. Many carried placards that read simply, "I am a man." The throngs of men marching in Washington today, almost all of them, are doing so for the same stated reason. But there is a profound difference between this march today and those of 30 years ago. Thirty years ago, the marchers were demanding the dignity and opportunity they were due because in the face of terrible discrimination, they had worked hard, raised their children, paid their taxes, obeyed the laws, and fought our wars.

Well, today's march is also about pride and dignity and respect. But after a generation of deepening social problems that disproportionately impact black Americans, it is also about black men taking renewed responsibility for themselves, their families, and their communities. It's about saying no to crime and drugs and violence. It's about standing up for atonement and reconciliation. It's about insisting that others do the same, and offering to help them. It's about the frank admission that unless black men shoulder their load, no one else can help them or their brothers, their sisters, and their children escape the hard, bleak lives that too many of them still face.

Of course, some of those in the march do have a history that is far from its message of atonement and reconciliation. One million men are right to be standing up for personal responsibility. But one million men do not make right one man's message of malice and division. No good house was ever built on a bad foundation. Nothing good ever came of hate. So let us pray today that all who march and all who speak will stand for atonement, for reconciliation, for responsibility.

Let us pray that those who have spoken for hatred and division in the past will turn away from that past and give voice to the true message of those ordinary Americans who march. If that happens, the men and the women who are there with them will be marching into better lives for themselves and their families. And they could be marching into a better future for America.

Today we face a choice -- one way leads to further separation and bitterness and more lost futures. The other way, the path of courage and wisdom, leads to unity, to reconciliation, to a rich opportunity for all Americans to make the most of the lives God gave them. This moment in which the racial divide is so clearly out in the open need not be a setback for us. It presents us with a great opportunity, and we dare not let it pass us by.

In the past when we've had the courage to face the truth about our failure to live up to our own best ideals, we've grown stronger, moved forward, and restored proud American optimism. At such turning points America moved to preserve the union and abolished slavery; to embrace women's suffrage; to guarantee basic legal rights to Americans without regard to race, under the leadership of President Johnson. At each of these moments, we looked in the national mirror and were brave enough to say, this is not who we are; we're better than that.

Abraham Lincoln reminded us that a house divided against itself cannot stand. When divisions have threatened to bring our house down, somehow we have always moved together to shore it up. My fellow Americans, our house is the greatest democracy in all human history. And with all its racial and ethnic diversity, it has beaten the odds of human history. But we know that divisions remain, and we still have work to do.

The two worlds we see now each contain both truth and distortion. Both black and white Americans must face this, for honesty is the only gateway to the many acts of reconciliation that will unite our worlds at last into one America.

White America must understand and acknowledge the roots of black pain. It began with unequal treatment first in law and later in fact. African Americans indeed have lived too long with a justice system that in too many cases has been and continues to be less than just. The record of abuses extends from lynchings and trumped-up charges to false arrests and police brutality. The tragedies of Emmett Till and Rodney King are bloody markers on the very same road.

Still, today, too many of our police officers play by the rules of the bad old days. It is beyond wrong when law-abiding black parents have to tell their law-abiding children to fear the police whose salaries are paid by their own taxes.

And blacks are right to think something is terribly wrong when African American men are many times more likely to be victims of homicide than any other group in this country; when there are more African American men in our corrections system than in our colleges; when almost one in three African American men in their 20s are either in jail, on parole, or otherwise under the supervision of the criminal justice system -- nearly one in three. And that is a disproportionate percentage in comparison to the percentage of blacks who use drugs in our society. Now, I would like every white person here and in America to take a moment to think how he or she would feel if one in three white men were in similar circumstances.

And there is still unacceptable economic disparity between blacks and whites. It is so fashionable to talk today about African Americans as if they have been some sort of protected class. Many whites think blacks are getting more than their fair share in terms of jobs and promotions. That is not true. That is not true.

The truth is that African Americans still make on average about 60 percent of what white people do; that more than half of African American children live in poverty. And at the very time our young Americans need access to college more than ever before, black college enrollment is dropping in America.

On the other hand, blacks must understand and acknowledge the roots of white fear in America. There is a legitimate fear of the violence that is too prevalent in our urban areas; and often by experience or at least what people see on the news at night, violence for those white people too often has a black face.

It isn't racist for a parent to pull his or her child close when walking through a high-crime neighborhood, or to wish to stay away from neighborhoods where innocent children can be shot in school or standing at bus stops by thugs driving by with assault weapons or toting handguns like Old West desperados.

It isn't racist for parents to recoil in disgust when they read about a national survey of gang members saying that two-thirds of them feel justified in shooting someone simply for showing them disrespect. It isn't racist for whites to say they don't understand why people put up with gangs on the corner or in the projects, or with drugs being sold in the schools or in the open. It's not racist for whites to assert that the culture of welfare dependency, out-of-wedlock pregnancy, and absent fatherhood cannot be broken by social programs unless there is first more personal responsibility.

The great potential for this march today, beyond the black community, is that whites will come to see a larger truth -- that blacks share their fears and embrace their convictions, and they openly assert that without changes in the black community and within individuals, real change for our society will not come.

This march could remind white people that most black people share their old-fashioned American values, for most black Americans still do work hard, care for their families, pay their taxes, and obey the law, often under circumstances that are far more difficult than those their white counterparts face.

Imagine how you would feel if you were a young parent in your 20s with a young child living in a housing project, working somewhere for \$5 an hour with no health insurance, passing every day people on the street selling drugs, making 100 times what you make. Those people are the real heroes of America today, and we should recognize that.

And white people too often forget that they are not immune to the problems black Americans face -- crime, drugs, domestic abuse, and teen pregnancy. They are too prevalent among whites as well, and some of those problems are growing faster in our white population than in our minority population.

So we all have a stake in solving these common problems together. It is therefore wrong for white Americans to do what they have done too often -- simply to move further away from the problems and support policies that will only make them worse.

Finally, both sides seem to fear deep down inside that they'll never quite be able to see each other as more than enemy faces, all of whom carry at least a sliver of bigotry in their hearts. Differences of opinion rooted in different experiences are healthy, indeed essential, for democracies. But differences so great and so rooted in race threaten to divide the house Mr. Lincoln gave his life to save. As Dr. King said, "We must learn to live together as brothers, or we will perish as fools."

Recognizing one another's real grievances is only the first step. We must all take responsibility for ourselves, our conduct and our attitudes. America, we must clean our house of racism.

To our white citizens, I say, I know most of you every day do your very best by your own lights to live a life free of discrimination. Nevertheless, too many destructive ideas are gaining currency in our midst. The taped voice of one policeman should fill you with outrage. And so I say, we must clean the

house of white America of racism. Americans who are in the white majority should be proud to stand up and be heard denouncing the sort of racist rhetoric we heard on that tape -- so loudly and clearly denouncing it, that our black fellow citizens can hear us. White racism may be black people's burden, but it's white people's problem. We must clean our house.

To our black citizens, I honor the presence of hundreds of thousands of men in Washington today, committed to atonement and to personal responsibility, and the commitment of millions of other men and women who are African Americans to this cause. I call upon you to build on this effort, to share equally in the promise of America. But to do that, your house, too, must be cleaned of racism. There are too many today, white and black, on the left and the right, on the street corners and radio waves, who seek to sow division for their own purposes. To them I say, no more. We must be one.

Long before we were so diverse, our nation's motto was "E Pluribus Unum" -- out of many, we are one. We must be one -- as neighbors, as fellow citizens; not separate camps, but family -- white, black, Latino, all of us, no matter how different, who share basic American values and are willing to live by them.

When a child is gunned down on a street in the Bronx, no matter what our race, he is our American child. When a woman dies from a beating, no matter what our race or hers, she is our American sister. And every time drugs course through the vein of another child, it clouds the future of all our American children.

Whether we like it or not, we are one nation, one family, indivisible. And for us, divorce or separation are not options.

Here, in 1995, on the edge of the 21st century, we dare not tolerate the existence of two Americas. Under my watch, I will do everything I can to see that as soon as possible there is only one -- one America under the rule of law; one social contract committed not to winner take all, but to giving all Americans a chance to win together -- one America.

Well, how do we get there? First, today I ask every governor, every mayor, every business leader, every church leader, every civic leader, every union steward, every student leader -- most important, every citizen -- in every workplace and learning place and meeting place all across America to take personal responsibility for reaching out to people of different races; for taking time to sit down and talk through this issue; to have the courage to speak honestly and frankly; and then to have the discipline to listen quietly with an open mind and an open heart, as others do the same.

This may seem like a simple request, but for tens of millions of Americans, this has never been a reality. They have never spoken, and they have never listened -- not really. I am convinced, based on a rich lifetime of friendships and common endeavors with people of different races, that the American people will find out they have a lot more in common than they think they do.

The second thing we have to do is to defend and enhance real opportunity. I'm not talking about opportunity for black Americans or opportunity for white Americans; I'm talking about opportunity for all Americans. Sooner or later, all our speaking, all our listening, all our caring has to lead to constructive action together for our words and our intentions to have meaning. We can do this first by truly rewarding work and family in government policies, in employment policies, in community practices.

We also have to realize that there are some areas of our country -- whether in urban areas or poor rural areas like south Texas or eastern Arkansas -- where these problems are going to be more prevalent just because there is no opportunity. There is only so much temptation some people can stand when they turn up against a brick wall day after day after day. And if we can spread the benefits of education and free enterprise to those who have been denied them too long and who are isolated in enclaves in this country, then we have a moral obligation to do it. It will be good for our country.

Third, and perhaps most important of all, we have to give every child in this country, and every adult who still needs it, the opportunity to get a good education. President Johnson understood that; and now that I am privileged to have this job and to look back across the whole sweep of American history, I can appreciate how truly historic his commitment to the simple idea that every child in this country ought to have an opportunity to get a good, safe, decent, fulfilling education was. It was revolutionary then, and it is revolutionary today.

Today that matters more than ever. I'm trying to do my part. I am fighting hard against efforts to roll back family security, aid to distressed communities, and support for education. I want it to be easier for poor children to get off to a good start in school, not harder. I want it to be easier for everybody to go to college and stay there, not harder. I want to mend affirmative action, but I do not think America is at a place today where we can end it. The evidence of the last several weeks shows that.

But let us remember, the people marching in Washington today are right about one fundamental thing -- at its base, this issue of race is not about government or political leaders; it is about what is in the heart and the minds and life of the American people. There will be no progress in the absence of real responsibility on the part of all Americans. Nowhere is that responsibility more important than in our efforts to promote public safety and preserve the rule of law.

Law and order is the first responsibility of government. Our citizens must respect the law and those who enforce it. Police have a life and death responsibility never, never to abuse the power granted them by the people. We know, by the way, what works in fighting crime also happens to improve relationships between the races. What works in fighting crime is community policing. We have seen it working all across America. The crime rate is down. The murder rate is down where people relate to each other across the lines of police and community in an open, honest, respectful, supportive way. We can lower crime and raise the state of race relations in America if we will remember this simple truth.

But if this is going to work, police departments have to be fair and engaged with, not estranged from, their communities. I am committed to making this kind of community policing a reality all across our country. But you must be committed to making it a reality in your communities. We have to root out the remnants of racism in our police departments. We've got to get it out of our entire criminal justice system. But just as the police have a sacred duty to protect the community fairly, all of our citizens have a sacred responsibility to respect the police; to teach our young people to respect them; and then to support them and work with them so that they can succeed in making us safer.

Let's not forget, most police officers of whatever race are honest people who love the law and put their lives on the lines so that the citizens they're protecting can lead decent, secure lives, and so that their children can grow up to do the same.

Finally, I want to say, on the day of this march, a moment about a crucial area of responsibility -- the responsibility of fatherhood. The single biggest social problem in our society may be the growing absence of fathers from their children's homes, because it contributes to so many other social problems. One child in four grows up in a fatherless home. Without a father to help guide, without a father to care, without a father to teach boys to be men and to teach girls to expect respect from men, it's harder. There are a lot of mothers out there doing a

magnificent job alone, but it is harder. It is harder. This, of course, is not a black problem or a Latino problem or a white problem; it is an American problem. But it aggravates the conditions of the racial divide.

I know from my own life it is harder because my own father died before I was born, and my stepfather's battle with alcohol kept him from being the father he might have been. But for all fathers, parenting is not easy and every parent makes mistakes. I know that, too, from my own experience. The point is that we need people to be there for their children day after day. Building a family is the hardest job a man can do, but it's also the most important.

For those who are neglecting their children, I say it is not too late; your children still need you. To those who only send money in the form of child support, I say keep sending the checks; your kids count on them, and we'll catch you and enforce the law if you stop. But the message of this march today -- one message is that your money is no replacement for your guiding, your caring, your loving the children you brought into this world.

We can only build strong families when men and women respect each other; when they have partnerships; when men are as involved in the homeplace as women have become involved in the workplace. It means, among other things, that we must keep working until we end domestic violence against women and children. I hope those men in Washington today pledge among other things to never, never raise their hand in violence against a woman.

So today, my fellow Americans, I honor the black men marching in Washington to demonstrate their commitment to themselves, their families, and their communities. I honor the millions of men and women in America, the vast majority of every color, who without fanfare or recognition do what it takes to be good fathers and good mothers, good workers and good citizens. They all deserve the thanks of America.

But when we leave here today, what are you going to do? What are you going to do? Let all of us who want to stand up against racism do our part to roll back the divide. Begin by seeking out people in the workplace, the classroom, the community, the neighborhood across town, the places of worship to actually sit down and have those honest conversations I talked about -- conversations where we speak openly and listen and understand how others view this world of ours.

Make no mistake about it, we can bridge this great divide. This is, after all, a very great country. And we have become great by what we have overcome. We have the world's strongest economy, and it's on the move. But we've really lasted because we have understood that our success could never be measured solely by the size of our Gross National Product.

I believe the march in Washington today spawned such an outpouring because it is a reflection of something deeper and stronger that is running throughout our American community. I believe that in millions and millions of different ways, our entire country is reasserting our commitment to the bedrock values that made our country great and that make life worth living.

The great divides of the past called for and were addressed by legal and legislative changes. They were addressed by leaders like Lyndon Johnson, who passed the Civil Rights Act and the Voting Rights Act. And to be sure, this great divide requires a public response by democratically elected leaders. But today we are really dealing, and we know it, with problems that grow in large measure out of the way all of us look at the world with our minds and the way we feel about the world with our hearts.

And therefore, while leaders and legislation may be important, this is work that has to be done by every single one of you. And this is the ultimate test of our democracy, for today the house divided exists largely in the minds and hearts of the American people. And it must be united there in the minds and hearts of our people.

Yes, there are some who would poison our progress by selling short the great character of our people and our enormous capacity to change and grow. But they will not win the day; we will win the day.

With your help -- with your help -- that day will come a lot sooner. I will do my part, but you, my fellow citizens, must do yours.

Thank you, and God bless you.