

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 3/2/96

TO: Gene Sperling
John Angell
Barry Toiv
FROM: Staff Secretary

Larry needs any edits by
10:00 a.m. Sunday

Todd Stern

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CREATING AN AGE OF POSSIBILITY

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We live in an age of possibility. A hundred years ago we moved from farm to factory. Now we move to an age of technology, information, and global competition. These changes have opened vast new opportunities for our people, but they have also presented them with stiff challenges.

President Clinton
January 23, 1996

The change that we face is both exciting and frightening. For some, it raises hope of a better, more prosperous, and more secure life. For others, it transforms the traditional rules of life and work in unsettling ways.

In this period of change, our challenge is to make the age of possibility one that will raise living standards and expand opportunity for all; make our streets safer and our air and water cleaner; and enable Americans to share the full potential of a new era.

Change of that magnitude comes mainly from the private sector. But a leaner, more flexible Federal Government—as the President is creating—has an important supporting role to play, working with State and local governments, businesses, schools, churches and synagogues, and other organizations. By providing a sense of national purpose, and the funds when appropriate, the Federal Government can be an important catalyst for change.

The Government also plays a key role in creating a climate for strong, sustained economic growth. Its tools include a responsible budget policy, an expansive trade policy, and investments in education and training, science and technology, and other priorities to help raise living standards.

Over the last three years, the President's economic program has generated much stronger growth, millions more new jobs, and lower interest rates than under the previous Administration. The program also has produced stable prices and record exports. For the first time in a decade, the economy is moving in the right direction.

In this budget, the President proposes to build on his strong record of deficit reduction and to bring the budget into balance over the next seven years. His plan includes a balanced mix of deep spending cuts in both entitlements and discretionary spending—deep enough to allow for a modest tax cut for average Americans and small businesses.

The budget balances the need to cut total discretionary spending with maintaining, and in many cases increasing, the President's investments in key priorities. A balanced budget would help set the stage for continued economic growth, low interest rates, and stable prices in the future.

Clearly, the Nation cannot achieve its common goals without strong economic growth. But growth alone cannot address the tasks at hand. By itself, it cannot alleviate the long-term problem of lagging incomes—that most Americans are working harder and harder just to stay in place, or are actually falling behind. To address that problem, the President proposes to help Americans get the skills they need to assume high-wage jobs in the new economy. He would invest in education, from pre-school to college, and training for the workplace; and support science and technology to spur future productivity and wage growth.

As the President has said, "the era of big government is over." At the same time, the Federal Government must support growth by giving the private sector the tools it needs. This budget builds on the Administration's three-year record of success in establish-

ing, and implementing, Government's proper
role in our economy.

After all are
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MR

1. A VISION FOR THE FUTURE

This budget helps promote a strong economy for the future and, with it, helps Americans build better lives for themselves and their families.

To promote a strong economy with sustained growth and low interest rates, the budget reaches balance in seven years by cutting unnecessary spending. At the same time, it invests in education and training, the environment, science and technology, and other priorities to help raise average living standards and the quality of life. The budget also reforms welfare to make work pay and

provides tax relief to middle-income Americans as well as small businesses.

Reaching Balance the Right Way

This budget reaches balance in 2002, a goal to which the President is committed, using the last available economic and technical assumptions of the Congressional Budget Office (CBO). It also achieves a surplus of \$xx billion in 2002 under the economic and technical assumptions of the Office of Management and Budget (OMB).

To estimate the deficit for 1996 through 2002 based on assumptions from the ^{CBO} ~~Congressional Budget Office~~, the Administration used the most recent assumptions that were available—from December 1995.

In March or April, CBO plans to release a new, updated set of economic and technical assumptions. While the President's budget reaches balance under CBO's December 1995 assumptions, the new assumptions could change the President's path to balance; in 2002, they could produce a bigger surplus or a deficit.

In case the new assumptions produce a deficit in 2002, the President's budget proposes an immediate adjustment to the annual limits, or "caps," on discretionary spending, lowering them enough to reach balance in 2002.

The President is committed not only to proposing a budget that reaches balance according to CBO, but reaching an agreement with Congress to enact such a budget.

18? The budget embodies the proposal that the President put forth in budget negotiations with the bipartisan congressional leadership on January (x) 1996. The President and the leaders have worked hard to find agreement on a plan to balance the budget over seven years. While they have not finished the job, the President believes strongly that their negotiations have been productive, bringing the two sides closer together. He is committed to doing whatever he can to complete the task.

In their talks, the President and the leaders have outlined a variety of proposals. The minimum amounts of savings that the plans have in common in the major budget categories (e.g., \$124 billion in Medicare, \$297 billion in discretionary spending) provide enough

in total savings to balance the budget and also provide a modest tax cut.

The congressional leadership wants bigger tax cuts, offset by deeper cuts in Medicare and Medicaid, other mandatory programs that help farmers and the poor, and discretionary spending. But the President believes those cuts are too deep and would threaten the Government's vital role in guaranteeing health care to vulnerable Americans and investing in the future. He has proposed that the two sides quickly enact the savings they have in common and give the American people a balanced budget.

Using the last available CBO assumptions, this budget saves \$596 billion over seven years (after accounting for the President's proposals for tax relief) by reforming Federal

entitlement programs, cutting deeply into discretionary spending, and limiting corporate subsidies.

Among its major elements, it:

- saves \$297 billion in discretionary spending, cutting unnecessary spending but investing in education and training, the environment, science and technology, law enforcement, and other priorities that will raise living standards and improve the quality of American life (see Chapters 8-11);
- saves \$124 billion in Medicare, strengthening and improving the program and guaranteeing the solvency of the Part A trust fund for over a decade (see Chapter 6);
- saves \$59 billion in Medicaid, reforming the program but continuing the guarantee of meaningful health and long-term care coverage for the most vulnerable Americans (see Chapter 6);
- saves \$40 billion through real welfare reform, moving recipients to work while protecting children (see Chapter 7);
- saves \$51 billion by reforming a host of other mandatory programs (see the more detailed explanation in the next paragraph);
- saves \$59 billion by ending corporate subsidies and other tax loopholes, and taking steps to improve tax compliance (see Chapter 12); and
- cuts taxes by \$99 billion, providing tax relief to tens of millions of middle-income Americans and to small businesses (see Chapter 12).

Among the \$51 billion in other mandatory savings, the budget proposes to auction, privatize, or sell, rather than give away, valuable public resources, including new segments of the broadcast spectrum, energy resources, materials stockpiles, and other assets. It also proposes that Federal agencies fully fund their employees' retirement costs.

In addition, the budget extends previously-enacted savings in veterans' benefits; cuts subsidies to financial institutions that make and hold student loans (without increasing program costs to borrowers); imposes fees

to recover the costs of services that the Federal Government provides to private businesses; reforms Federal housing and banking programs; and makes other program efficiencies and improvements.

The budget also includes a "trigger" to ensure that the budget reaches balance under either CBO or OMB assumptions. Under the trigger, most of the tax cuts end after 2000 if the deficit is not at least \$20 billion below CBO's initial estimate for that year. If, however, the deficit is at least \$20 billion below the estimate, then the budget distributes the additional savings in the following order:

- First, it maintains the tax cuts after the year 2000;
- Second, it reduces the cuts in discretionary spending; and
- Third, it splits any additional savings evenly among more tax cuts, more reductions in the discretionary cuts, and more deficit reduction.

If OMB's assumptions prove correct, the budget would provide \$xx billion more in tax relief, for a seven-year total of \$xxx billion, and cut discretionary spending by \$xxx billion (rather than \$xxx billion).

Maintaining Our Values

From the start, the President's economic program has emphasized one primary concern—to raise the standard of living of average Americans now and in the future. His budget policy has played a central role.

By cutting the deficit nearly in half in the last three years, we have reduced Federal borrowing, making more funds available in the private markets so that businesses can invest, grow more productive, expand, and create jobs. We also have shifted resources to education and training, science and technology, and other priorities—to enable Americans to get the skills they need to compete in the new economy and to help businesses become more competitive.

Like the President's previous budgets, this budget maintains his investments in education and training, science and technology, environ-

mental protection, law enforcement, and other key priorities.

These investments include Head Start for disadvantaged children; the Safe and Drug-Free Schools and Communities program to create safe learning environments; Goals 2000, which helps States and school systems extend high academic standards, better teaching, and better learning to all students; AmeriCorps, through which 25,000 Americans are serving their communities this year and earning money for college; Direct Lending that makes it easier to borrow and repay college loans; Pell grant scholarships for needy students; and job training Skill Grants for dislocated workers and low-income adults.

The budget maintains environmental enforcement; protects national parks and other sensitive resources; and invests in basic and applied research and technology. It funds the Community Oriented Policing Services (COPS) initiative to put 100,000 more police on the street by 2000; more border patrols to prevent illegal immigration and more inspections to prevent the hiring of illegal immigrants; and the Community Development Financial Institutions Fund to spur growth and create jobs in communities that have been left behind.

In addition, the budget includes funds to launch the important initiatives that the President outlined in his State of the Union address:

- To promote educational opportunity, the budget funds a Technology Literacy Challenge to bring the benefits of technology into the classroom; expanded work-study to help one million students work their way through college by 2000; a \$1,000 merit scholarship for the top five percent of graduates in every high school; and Charter Schools to let parents, teachers, and communities create public schools to meet their own children's needs.
- To promote a secure future for American workers, the budget funds an initiative, based on recommendations of the White House Conference on Small Business, to make it easier for small businesses and farmers to establish their own pension plans.

- To protect our environment, it funds tax incentives to encourage companies to clean up "brownfields"—abandoned, contaminated industrial properties in distressed areas.
- To protect public safety, it provides funds for the FBI and other law enforcement agencies to step up efforts to combat juvenile crime and gangs that involve juveniles.

A Period of Change

The Nation has entered a period of profound change—from an economy based primarily on traditional manufacturing to one based more heavily on information—the most profound change since we moved from the farm to the factory a century ago. It is a period of great opportunity and great uncertainty, a period that demands new thinking and new responses.

In the 19th and early 20th centuries, and with the American economy assuming the lead, the economies of the developed world moved from agriculture to manufacturing by way of a pull and a push. The pull: the explosion of opportunities in manufacturing. The push: the growth of productivity in agriculture that freed resources—that is, both workers and investment—to exploit the new opportunities.

Now, an explosion of possibilities in the use of information is drawing workers from manufacturing, while the rapid growth in manufacturing productivity has eased the change. The revolution in information technology has increased productivity by helping people work faster and smarter. It has created jobs, rewarded entrepreneurs and investors, improved learning, and provided more enjoyable uses of leisure time. For society at large, it is both desirable and inevitable.

As President Clinton said in signing the Telecommunications Act of 1996 into law on February 8:

Today our world is being remade yet again by an information revolution, changing the way we work, the way we live, the way we relate to each other. Already the revolution is so profound that it is changing the dominant economic model of the age. And already, thanks to the scientific and entrepreneurial genius of American workers in this country, it has created vast, vast opportuni-

ties for us to grow and learn and enrich ourselves in body and in spirit.

But the benefits of this revolution are not spread evenly among all Americans.

The Perils of Change

In 1979, 13,505 taxpayers filed Federal tax returns with incomes of over \$500,000. From that year to 1993, the cost of living roughly doubled. If incomes had just kept pace with inflation over that period, the same number of taxpayers would have had incomes of over \$1 million in 1993.¹

In fact, the number of taxpayers with incomes over \$1 million had almost quintupled by 1993, to 66,485. Obviously, at the upper end of the income scale, opportunity is alive and well—as it should be for all Americans who are working their way up the economic ladder.

Opportunity, however, has been absent for many others. Average households in the middle fifth of the income scale had \$840, or 2.6 percent, less in purchasing power in 1993 than in 1979. Those in the bottom two fifths had even larger declines in percentage terms. At the same time, the income of the top fifth of households grew by 20 percent, and that of the highest five percent by 27 percent.

More and more, workers entering the labor market without the requisite skills face worse income prospects over their working lives than their predecessors did. Those who did not invest in their skills, or who invested in skills that have become obsolete, can find that what were once lifetime jobs are disappearing. Too often, these workers face limited prospects for maintaining their incomes.

Wage trends of 25–34 year-old workers make the point: In 1979, male workers with high school degrees who worked full-time and year-round earned, in 1993 dollars, an average of about \$32,000; by 1993, their earnings had fallen to \$25,500. Their female counterparts saw their earnings fall by four percent, to only \$19,000.

¹Population growth would have raised the number to roughly 16,000, and changes in income definitions in the tax law might have raised it slightly higher.

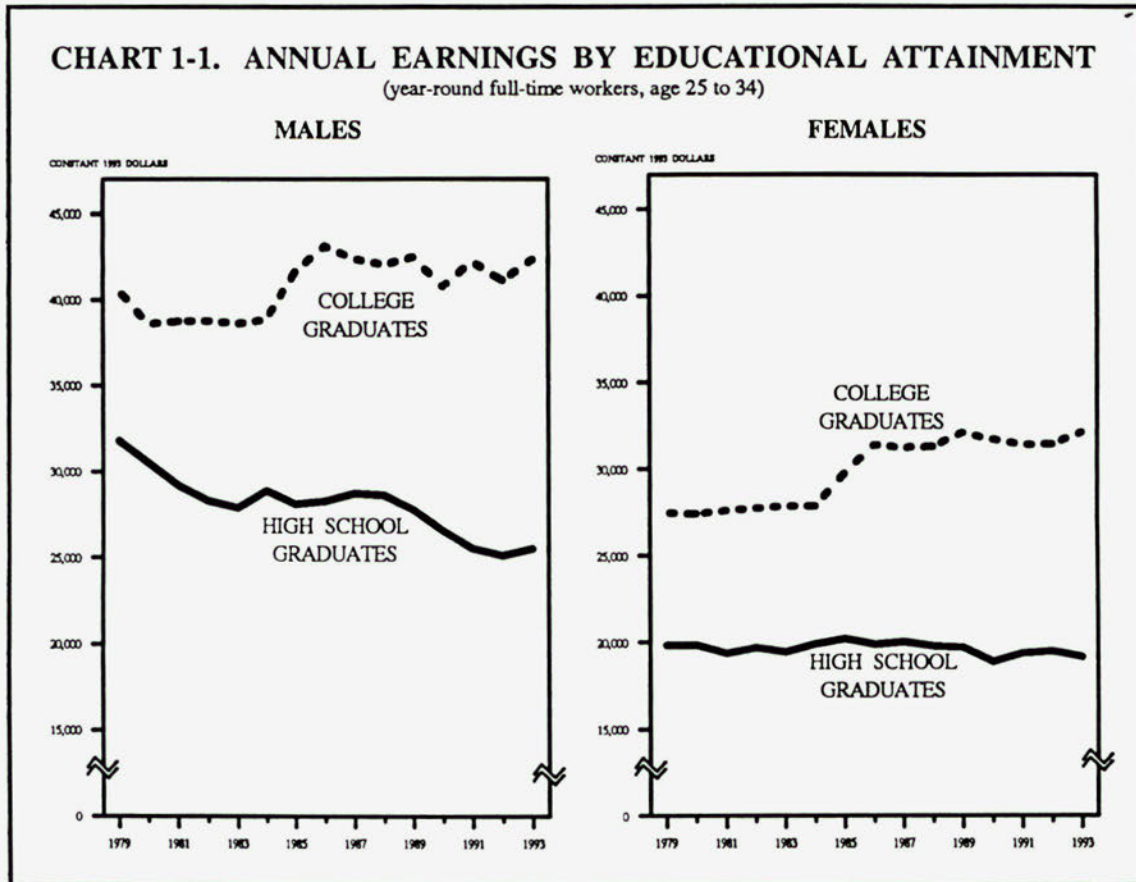
On the other hand, the earnings of young male college graduates rose 12 percent, to \$42,000, after adjusting for inflation. Female college graduates enjoyed an even larger gain, 25 percent (see Chart 1). And yet, though those with college degrees are doing better than others, even they have experienced slower income growth in recent years. 1-1

Nor do these figures begin to explain how profound economic change has affected peoples' lives. If economic change shakes an entire business firm, the retirement security of that firm's workers can shake with it. Young people who cannot get the skills and training to compete in the information economy risk facing a considerable disadvantage for their working lives. And with health care often dependent on employment, the absence of skills or loss of a good job can adversely affect family security beyond the measure of a worker's income.

The Nation cannot afford to dismiss any workers as losers, consigned to the bottom rung of the economic ladder. The stakes are far too high. To build the strongest, most competitive economy at a time of increasing global competition, we need the contributions of all Americans. We need everyone to actively partake in the society at large, rather than impose costs on it through crime or dependency. As the President often says, "We don't have a person to waste." NR

The Federal Government cannot guarantee each, or any, person's success. But it can, and should, help every individual to achieve his or her greatest potential by reducing the barriers and the risks to building personal skills for a changing, information-based economy.

Education and training are the cornerstone of the new economy. To help give workers the skills they need, and the opportunities they deserve, for high-wage jobs, this budget enhances the Government's support for education and training. It protects funding for essential education programs, from Head Start for disadvantaged pre-schoolers to college scholarships. The budget proposes an income tax deduction for tuition and expenses for college and career training, to encourage especially those for whom costs present the greatest obstacle. It allows penalty-free with-



drawals from individual retirement accounts for educational costs. And it anticipates a major overhaul of Federal job training programs based on the President's G.I. Bill for America's Workers, proposed in last year's budget.

The Federal Government provides a basic retirement safety net with Social Security, which is especially important for those with the lowest earnings—including those who might suffer a loss in earnings because of technological change. The Federal Government also insures company pension plans and it enforces minimum funding requirements to ensure that the pensions are there for retirement.

Building on the retirement safety net that Social Security and Federal pension protections already offer, this budget proposes to expand IRAs to help workers build their own reserves against their retirement needs. The budget also proposes to help workers

who lose their jobs to continue health insurance for themselves and their families. And it proposes simplified retirement savings systems to encourage employers to establish flexible, portable pension plans.

Maintaining our Edge—Abroad

In this age of possibility, the United States must continue to provide leadership across the globe and cooperate in the community of nations, not withdraw from it. Despite the voices that call for a U.S. retreat into isolationism, our diplomatic leadership remains critical to keeping the peace and defending our interests in major regions of the world.

Our leadership is a key ingredient in dealing with the new threats of the post-Cold War era. Leading the global effort for arms reductions and nonproliferation continues to be an integral element of our diplomacy and national security strategy.

Our efforts support a broad range of programs to reduce the threat of nuclear and chemical weapons. We are making our children's future safer by reducing existing arsenals and ensuring that rogue states and terrorist groups do not acquire these terrible weapons or the materials and technologies needed to make them.

Other emerging threats know no national borders. America must lead in confronting such problems as ethnic and national conflicts that threaten regional stability; terrorism, international crime, and drug trafficking, which directly threaten our free and open society; and large-scale environmental degradation.

More than ever, our domestic and foreign economic interests are closely intertwined, and mutually reinforcing. Economic and trade issues are increasingly at the forefront of our diplomacy. We need a strong economy to sustain our military forces and diplomatic strategy. And we must be global leaders in trade and investment in order to open foreign markets and create the high-wage jobs that will raise the living standards of our people.

Our defense capability is what sustains and supports our diplomacy. We have the world's strongest and most ready military force, one designed to fight successfully two nearly simultaneous regional conflicts. Our weapons are state-of-the-art, and our military is the best equipped, best trained, and best prepared in the world. And, when necessary, we have sent the men and women of our military into action.

Maintaining our Edge—At Home

At home at this time of change, the public and private sectors must work together; we cannot rely on just one or the other.

Americans of all generations must come together in the interests of all—whether it is for better schools, safer streets, or a cleaner and healthier environment.

As Americans, we should dedicate ourselves to building a society in which we all have the opportunity to use our talents to their fullest potential, and in which we all take responsibility for our actions; in which all children can learn at safe and stimulating schools, free from the fear of gangs and guns; in which all fathers and mothers give the task of raising their children the energy and attention it deserves; and in which all those who want to work can find good jobs.

To reach this goal in a time of change, we need the right kind of Government and the right kind of policies. We need a Government that creates opportunity, not bureaucracy; one that works with State and local governments, businesses, and religious, charitable, and civic associations; and one that manages its resources wisely.

We need a leaner, but not meaner Government, one that puts its customers—the American people—first by delivering better services every day and not imposing undue burdens on individuals and businesses. And we need a Government that is dedicated to better performance and results, rather than to simply doling out dollars. S

Government should not do for individuals what they can do for themselves. We must ask more of ourselves, expect more of one another, and meet the challenges that confront us together. We must strive to enable all of our people to make the most of their lives with stronger families, more educational opportunity, economic security, safer streets, a cleaner environment, and a safer world.

[We need to work on chart placement -
with so many, our task is made more difficult]
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2. THREE YEARS OF PROGRESS

As President Clinton took office in January 1993, the economy was only then emerging from a long period of sluggish growth—beginning with the 1990–1991 recession and continuing through an extremely weak recovery, marked by rising unemployment.

This sluggishness exacerbated some serious long-term trends. Since the early 1970s, the incomes of most Americans have not grown as much as they once did—in fact, not much at all. As we discussed in the previous chapter, only those atop the income ladder have enjoyed steady income growth. For others, the daily struggle to make ends meet has threatened to become a losing battle. For workers with only a high school education, times have been especially tough.

The President campaigned on a pledge to restore widely-shared prosperity, and he shaped his economic policies to achieve this primary goal. The huge Federal budget deficit was a major obstacle. Others included sluggish business investment, slow job growth, and the overgrown Federal Government, about which the public had grown deeply cynical.

Three years later, our economy is stronger and the deficit is down even more than we had predicted. In dollar terms, the policies that we enacted with the last Congress have cut it almost in half, from \$290 billion in 1992 to \$164 billion in 1995. As a share of the economy, we have cut it by over half, from 4.7 percent to 2.3 percent, in three years instead of four, fulfilling the President's campaign pledge a year ahead of schedule.

But as detailed in Chapter 1, we need further action to balance the budget once and for all.

The Administration also has begun to significantly change the way that the Federal Government works. Under the leadership of the Vice President's National Performance Review, we are working to create a Government that "works better and costs less."

Since January 1993, we have cut the number of Federal employees by over 200,000, to its lowest level in 30 years; the Federal share of the civilian workforce is at its lowest level since the 1930s. We are eliminating 16,000 pages of Federal regulations. And we have reformed Federal procurement so that the Government now buys at the best price; no longer do we read news accounts of \$600 hammers. (For more on how we are making government work, see Chapters 13 and 14.)

Meanwhile, the Administration has employed Government where it does the most good—investing in education and training, protecting the environment and public health, helping people get needed health care, strengthening families by helping America's neediest children, and rewarding work. On the world stage, the President has worked to advance American values without losing sight of U.S. strategic and economic interests.

Still, we have much more to do. Fully reversing the long-term trends that have weakened America will take time and enormous effort.

This chapter reviews what we have done to meet the economic and social challenges that the Administration inherited three years ago. It describes how the economy and society have responded to these initiatives, and the economic path that we envision for the future.

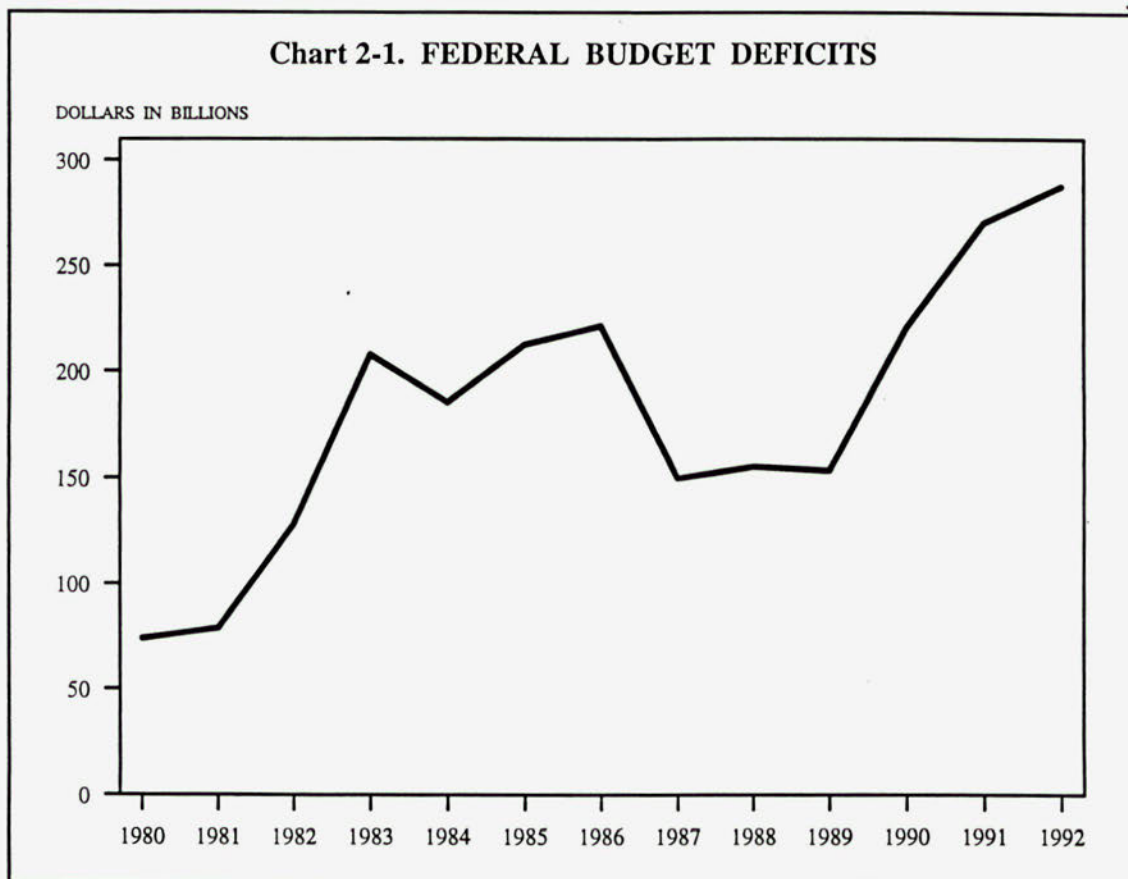
WHAT THE ADMINISTRATION INHERITED

Near-Term Economic Problems

The President inherited an economy that had nominally escaped from recession, but had not yet resumed solid and sustainable economic growth either for the short term or further down the road.

Unemployment: Unemployment rose sharply in late 1990 with the onset of recession. Though the recession technically ended in early 1991, growth was so weak for many

→ Include references to charts in text ←



months that unemployment continued to rise. In January 1993, unemployment was 7.1 percent, about a half-point higher than when the 1990-91 recession ended.

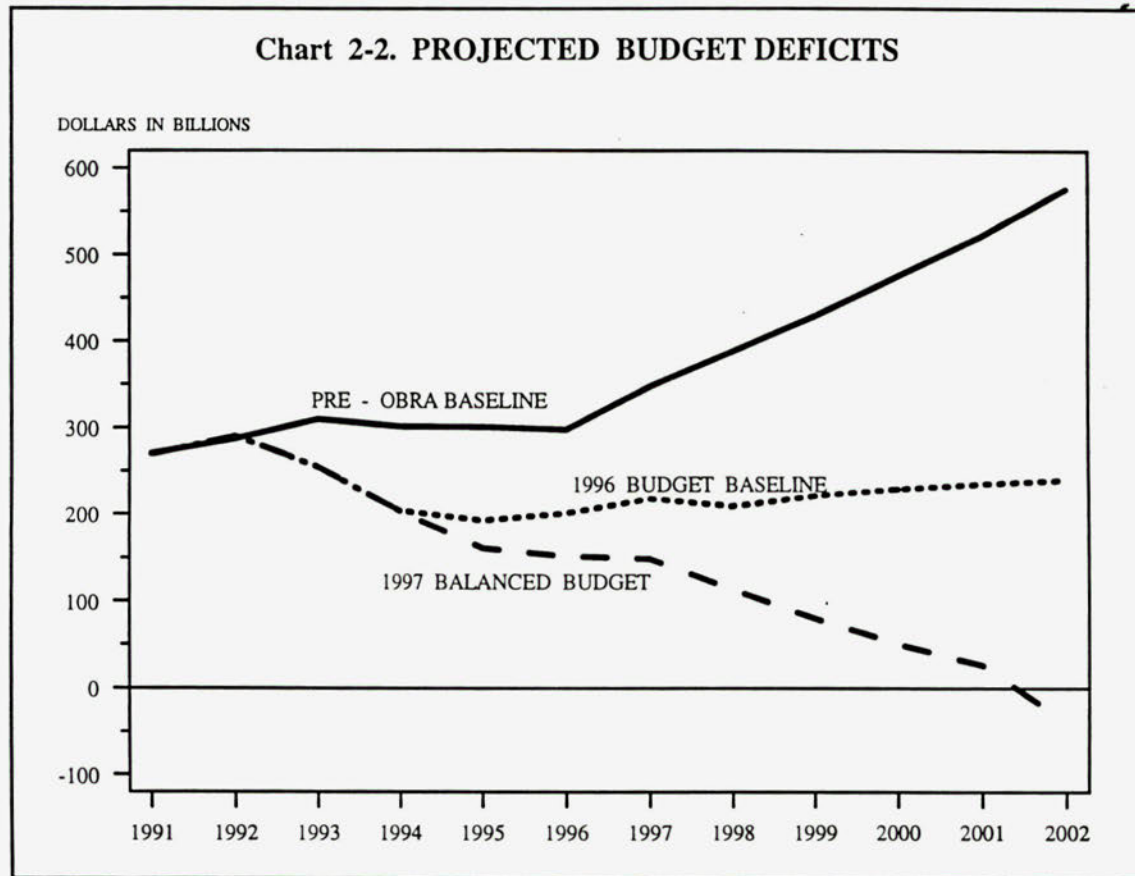
Although the economy created some new jobs in the recovery of 1991-92, net job creation was weak. In the three years before January 1993, the economy created just 2.4 million net new jobs—about 68,000 a month. Over the same period, the working age population grew by 150,000 people each month. With the number of potential workers rising faster than the number of jobs, higher unemployment necessarily followed.

cap **Slow Growth:** Weakness in the labor market reflected weak economic activity in general. The economy was growing, but very slowly. From the start of 1990 through the first quarter of 1993, real Gross Domestic Product, or GDP, grew at well under half the rate of economic recoveries since 1960 that lasted at least that long.

The Credit Crunch: The U.S. financial system showed increasing strains in the 1980s. Individuals and corporations pushed their debt burdens higher and higher, and interest payments absorbed more and more income. While the amount of debt was rising, its quality was falling. Savings and loan institutions and banks made some extremely risky loans, many of which proved worthless.

As losses to the Government's deposit insurance programs mounted, the problems of deteriorating credit quality and failing financial institutions became clear. Bank and thrift regulators began to close the failed institutions and the surviving ones raised their credit standards sharply. Many businesses, especially in areas with heavy concentrations of bad loans, had trouble getting needed credit.

Meanwhile, individuals and businesses reduced their borrowing to improve their balance sheets and cut the burden of their interest payments. These steps led to slower consumer



spending and less real estate investment. In cities across the country, new construction came to a halt as developers scrambled to find tenants for empty office buildings.

The Federal Reserve conducted a tight monetary policy at the end of the 1980s, but eased up in 1991–92. Consequently, short-term interest rates fell, eventually rekindling consumer spending and housing investment. The economy was poised for revival, yet growth remained sluggish. Genuine recovery required new policies to address the economy's underlying structural problems.

Long-Term Problems

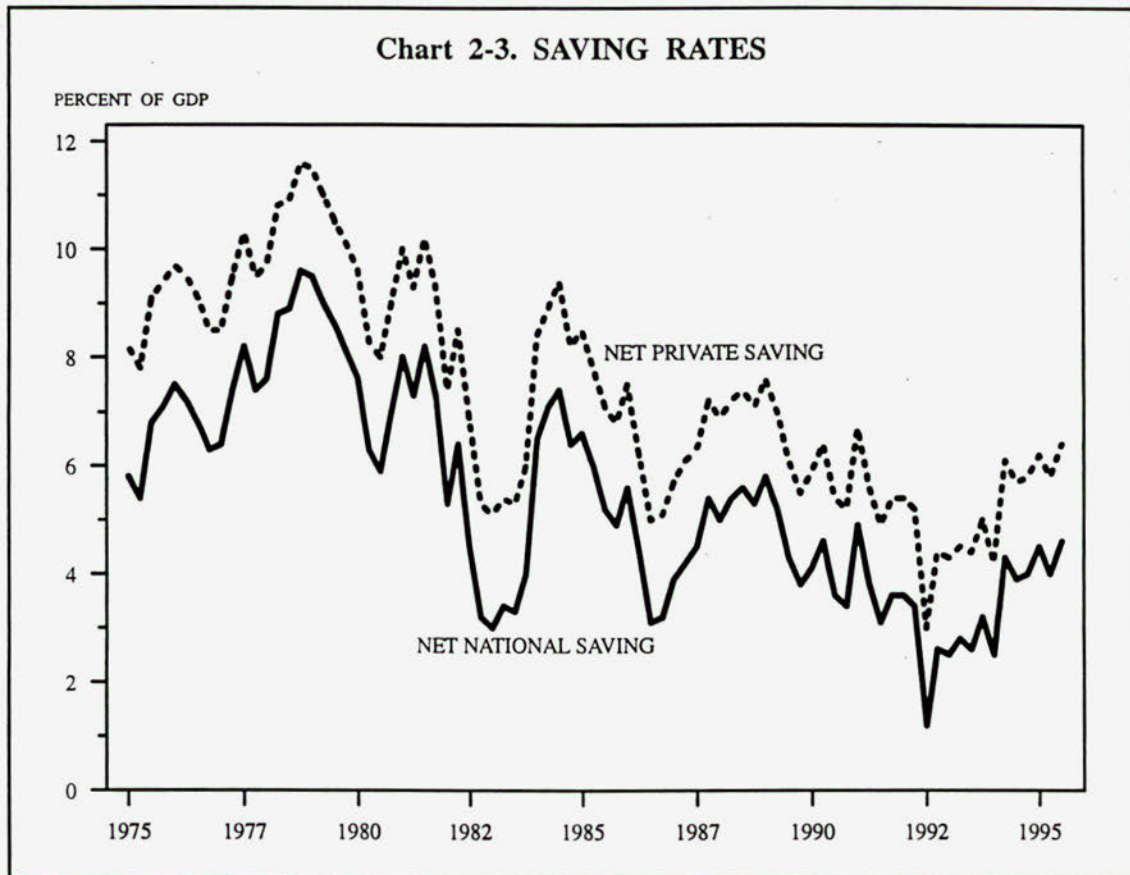
The economy's cyclical problems were just part of what the new Administration faced. Underlying those problems were chronic conditions that had lasted over a decade. Among the most damaging were the Federal budget deficit, the fall in private saving, the slowdown in productivity growth, and the increase in income inequality.

The Budget Deficit: The Government has incurred a deficit every year since 1969, but the deficit exploded in size in the 1980s—largely due to the fiscal policies of 1981 and the economic conditions of that day.

The Administration and Congress cut income tax rates by 23 percent, reducing revenue by over four percent of GDP, and increased spending on defense. The tax cuts, higher defense spending, and second recession in two years combined to boost the deficit. By 1983, it had nearly tripled, to \$208 billion, and since then has never fallen below \$149 billion.

Higher and higher deficits brought more and more debt. From the start of the Republic to 1980, the Government had accumulated just under \$1 trillion in debt. From 1980 to 1992, the debt rose to \$4 trillion.

To be sure, a big deficit can help to stabilize the economy during a recession. But this deficit was harmful because it was



“structural”; it would continue even if the economy performed well. Despite numerous attempts to cut the deficit over the next decade, it threatened to reach unsustainable levels as this Administration assumed office.

A structural deficit is important because it affects the Nation’s pool of savings. Nations must set aside funds today to build the factories and machines that will generate income for tomorrow; what they set aside is their savings. It has two components: (1) private savings (by individuals and businesses) and (2) public savings (by Federal, State, and local governments).

If the Federal Government borrows from that pool to finance its deficit, then the

borrowed savings are not available to make productive private investment. With its big deficits, the Federal Government in the 1980s massively drained our Nation’s savings pool. Worse, as Federal deficits were rising, private saving was falling, making the Nation’s savings problem worse.

Private Saving: Private saving averaged 13.3 percent of GDP in the 1960s, but dropped to 7.3 percent in the 1980s (see Chart 2-3). A fall in private saving affects investment and the trade balance in the same way as an increase in the budget deficit. Thus, the fall in private saving exacerbated the economic effects of the higher budget deficit.

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Chart 2-4. U.S. NET INTERNATIONAL INVESTMENT POSITION

PERCENT OF GDP

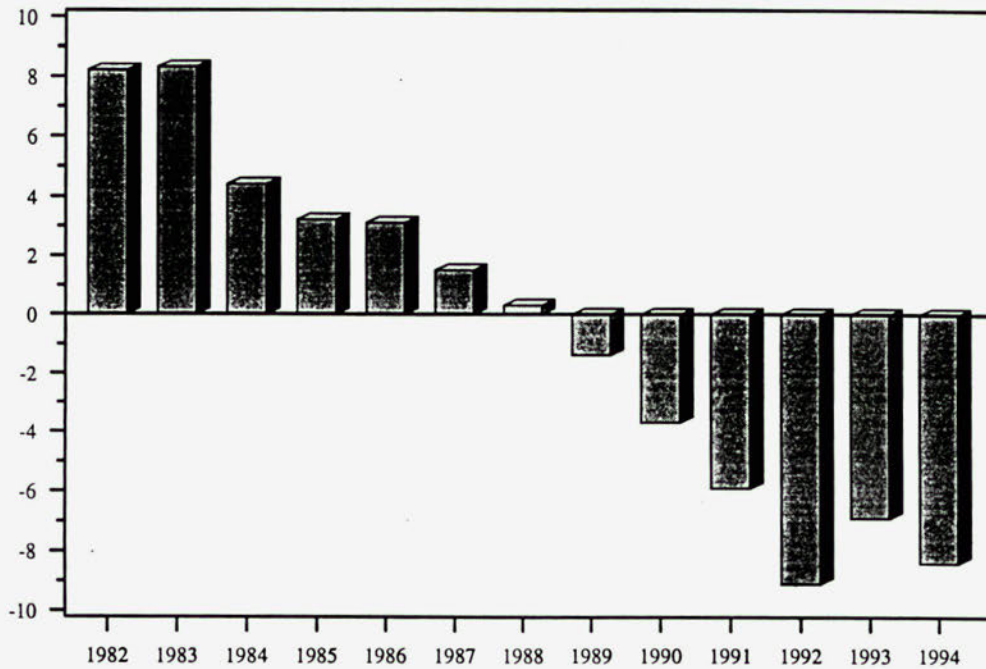
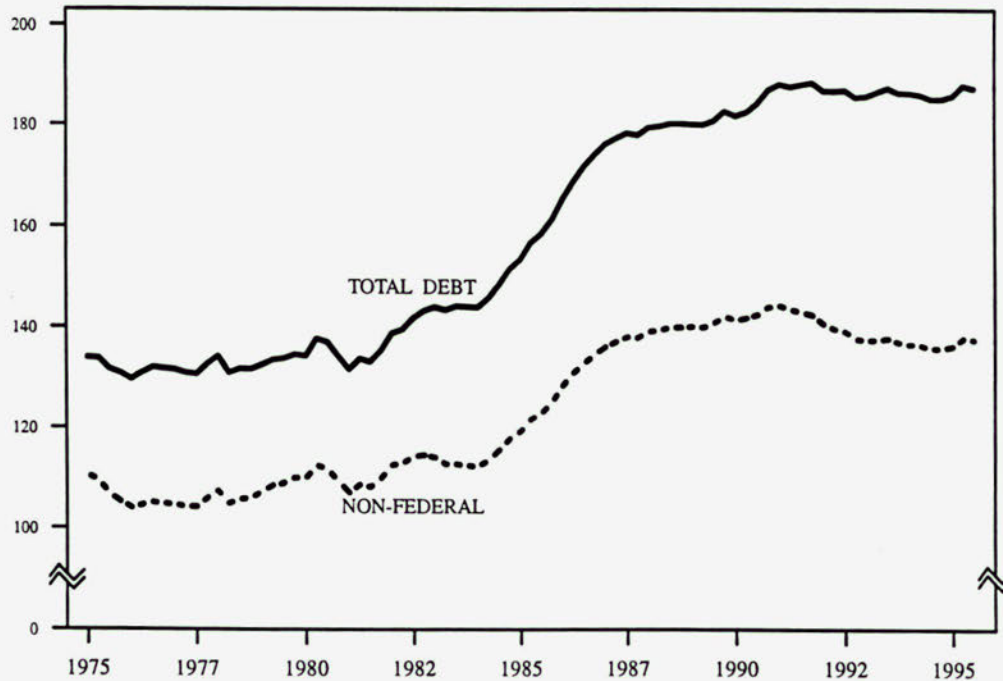


Chart 2-5. NONFINANCIAL DEBT

PERCENT OF GDP



**Chart 2-6. PRODUCTIVITY OUTPUT PER HOUR
IN THE NONFARM BUSINESS SECTOR**

(average annual growth rates in percent)

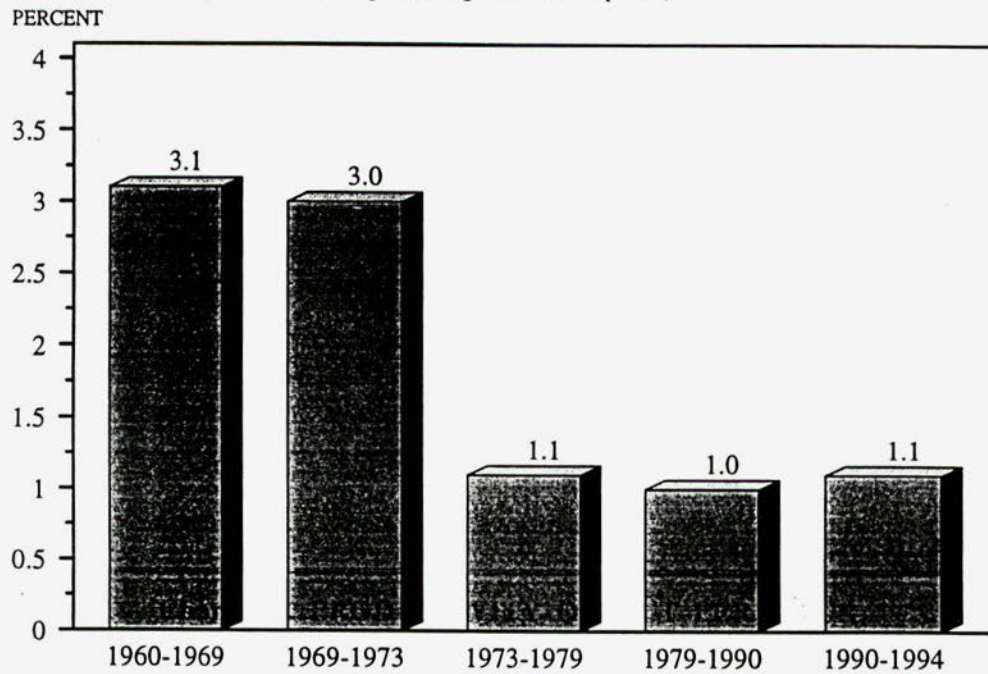
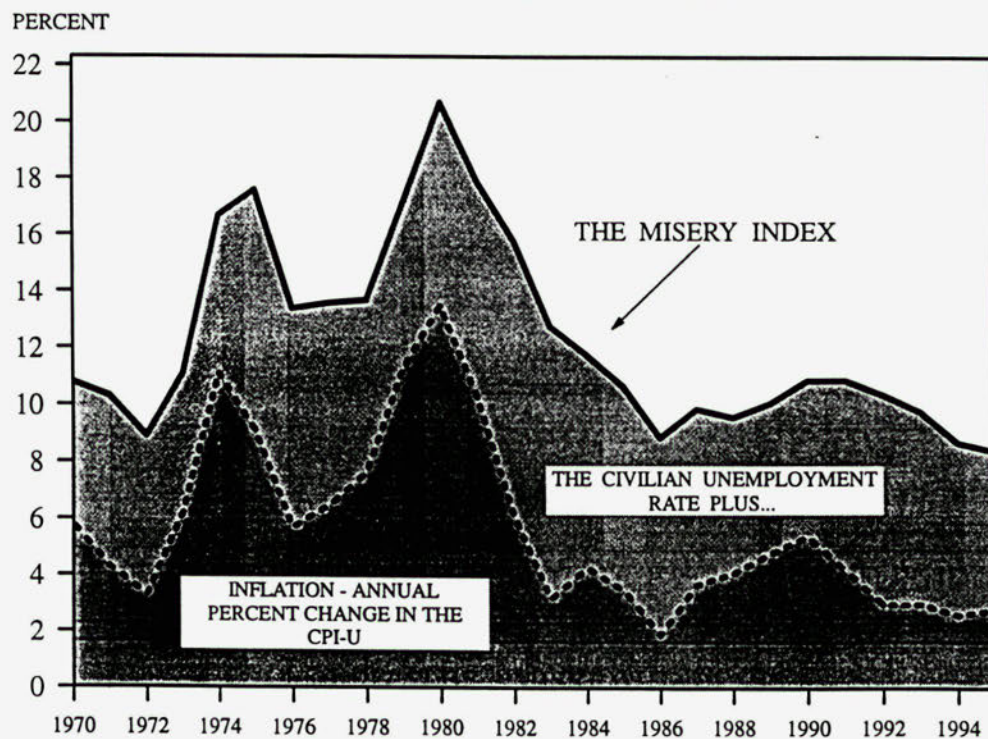


Chart 2-7. THE "MISERY" INDEX



In the 1980s, lower national saving pulled down investment. To some extent, the drop in investment was offset by more borrowing from abroad. But that, in turn, led to other problems—including a rising trade deficit. Increased foreign borrowing converted the United States from the world's largest creditor to its largest debtor nation. To service those debts, the Nation will have to increase its exports over its imports for the foreseeable future.

Thus, because of the higher deficits and lower private savings, the 1980s expansion was financed by debt to an unprecedented degree. Much of the extra borrowing was not backed by more assets; thus, the borrowing raised the burden of debt service without providing a corresponding increase in resources to service the debt. High real interest rates, caused by the higher borrowing, further aggravated the problem.

Debt left the economy vulnerable when recession struck in the 1990s and it helps explain why the recovery was initially so weak. No strong recovery could occur until the unwise policies of the 1980s were reversed.

The decline in saving and investment also contributed to another of the economy's chronic weaknesses—sluggish productivity growth.

The Productivity Slowdown: Rising productivity holds the key to higher incomes. For 25 years after World War II, productivity growth averaged 2.9 percent a year, the highest in U.S. history for that long a time period. Incomes rose substantially for most families and workers grew accustomed to annual pay increases that outstripped inflation. The middle class expanded, as did opportunities for home ownership, education, and leisure.

Since the early 1970s, productivity has grown an average of only about one percent a year, about a third as fast as before. With slower productivity growth, the rapid

Chart 2-8. CIVILIAN UNEMPLOYMENT RATES

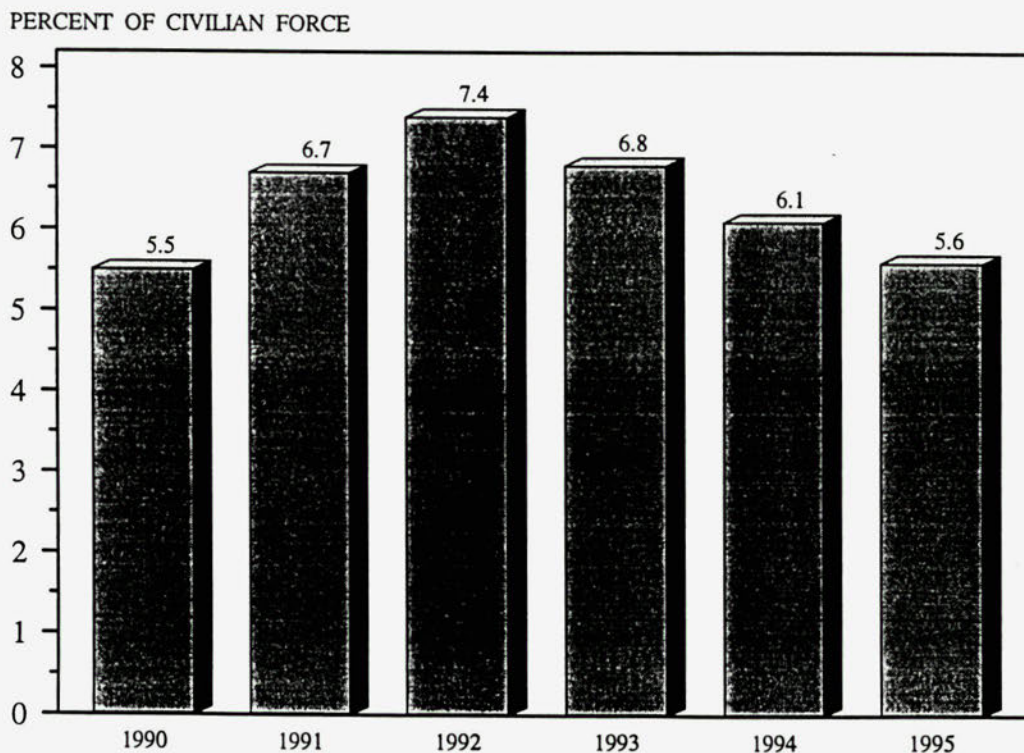
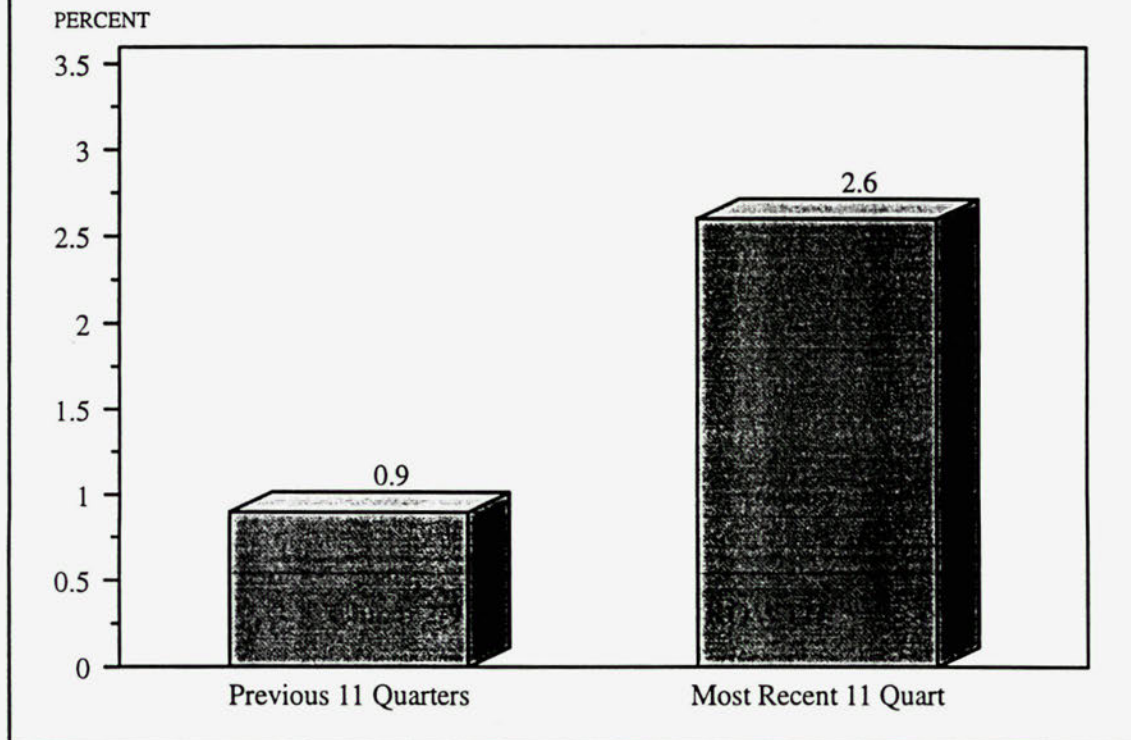


Chart 2-9. ECONOMIC GROWTH

(average annual growth rate of real GDP in percent)



rise in living standards came to an end. The Nation's promise of opportunity was in danger and Americans began to fear that, for the first time in U.S. history, future generations would not enjoy higher living standards than their parents.

While the economy continued to grow, it did not grow as fast as in earlier decades. Moreover, growth depended more on the entry of new workers, especially married women, into the labor market. When growth in the labor force slowed, as at the beginning of the 1990s, productivity improvements alone could not sustain continued rapid increases in real GDP.

Rising Inequality: Another chronic problem, aggravated by slower productivity growth and lower saving, was rising income inequality. While the typical American household has maintained its standard of living since 1973, those at the bottom have actually fallen be-

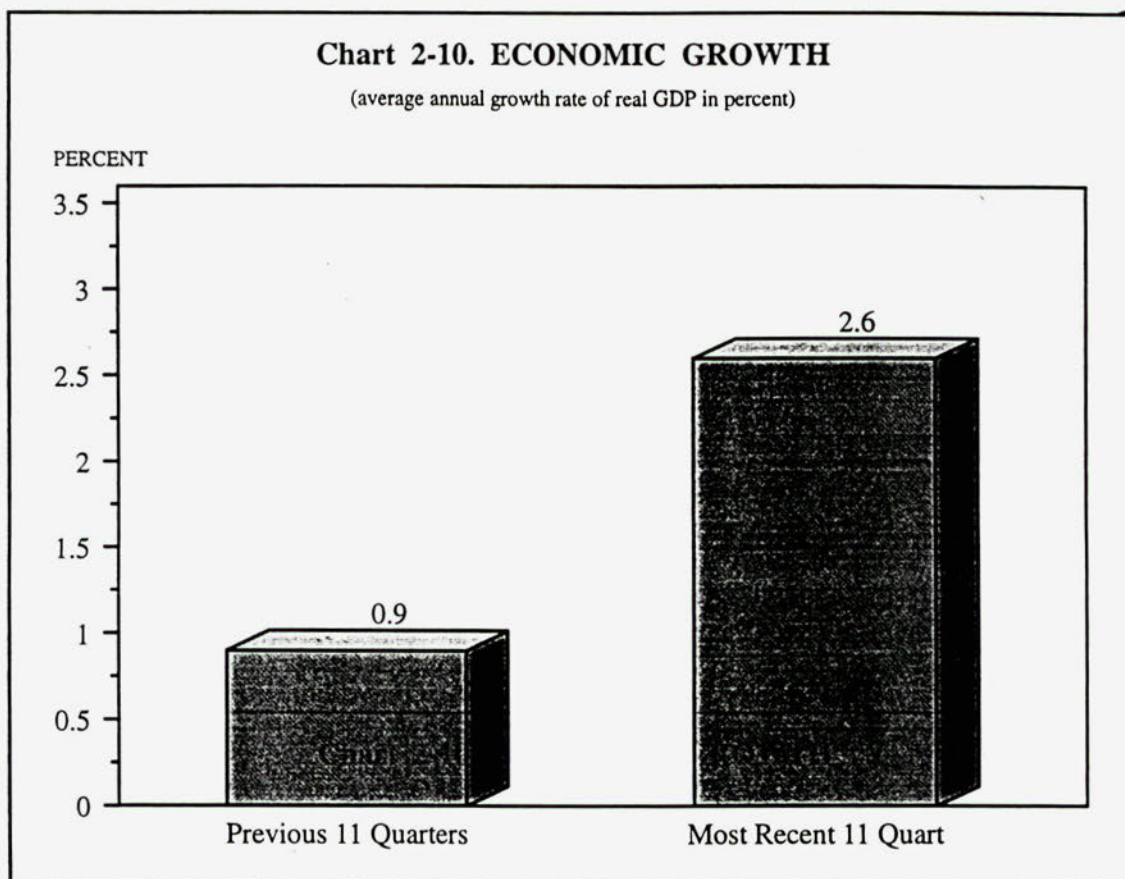
hind. Only those at the top have continued to enjoy substantial income gains.

For households in the bottom 20 percent of income, real mean income was four percent lower in 1992 than in 1973; for households in the top five percent, real income was 20 percent higher. As a result, the gap between the top and bottom in income widened to record levels.

The Social Repercussions

Slow productivity growth and widening income inequality have effects throughout society. The difficulties of working families in making ends meet have raised the pressures on those families and weakened the social fabric. The consequences have come to light in the economic and social statistics on poverty, social breakdown, and crime.

The sluggish economy of the early 1990s was especially hard on the poor. The official poverty rate hit its low point in 1973, after



falling sharply for most of the previous decade. Since then, increases in poverty during recessions have outpaced reductions in poverty during recoveries.

By 1992, the poverty rate had risen to nearly 15 percent. That year, more than one in five of the Nation's children were poor.

WHAT THE ADMINISTRATION HAS ACHIEVED

To bring the economy back to health, the Administration sought to tackle the budget deficit while promoting prosperity by investing in education and training, and science and technology; by opening new markets; and by keeping interest rates and inflation in check.

Budget Policy

The President and the last Congress enacted the Omnibus Budget and Reconciliation Act of 1993, designed to reduce the deficits by a combined \$504 billion over five years, 1994-98. Because the economy has performed better than even the Administration had predicted, we now expect those deficits to fall by \$697 billion over the same period, even without further steps to reduce them.

The President's 1993 economic plan, which still governs U.S. fiscal policy, achieved over half of its \$504 billion of deficit reduction through spending cuts (\$254 billion), the rest through tax measures designed to increase the progressivity of the tax code and also raise revenue. It made deep cuts in discretionary spending and entitlement programs. It extended through 1998 the annual limits, or "caps," on discretionary spending that Congress first imposed in 1990. (The President's 1997 budget would extend them even

further.) The 1993 plan also cut entitlements by \$98 billion.

Nevertheless, the President's plan also expanded the Earned Income Tax Credit (EITC), which rewards work for those in the lowest-income brackets. The EITC makes work pay. It offers a positive inducement to low-income families to enter the working world and avoid the cycle of dependency. The plan raised the rate of the EITC, expanded it to provide tax relief to more lower-income working families with children, and extended the credit to apply, at lower rates, to low-income workers without children.

In the 1993 plan, only one revenue increase affected typical American households—a 4.3 cent per gallon increase in the Federal excise tax on gasoline. The change was well timed; it occurred while gas prices were falling, so it imposed little or no extra burden on households. The plan, however, brought down interest rates, saving these typical households sizable sums on home mortgages and auto and other consumer loans.

All told, about 90 percent of revenue increases came from households with incomes of over \$100,000. To be sure, no one ever wants to raise taxes. But this change was appropriate—given the pressing need to cut the deficit, and given that high-income families prospered so much in the preceding decade. And with the plan at least partly responsible for growth in the economy and the stock market since 1993, these people have prospered in the last three years.

As the Wall Street Journal noted, the 1993 economic plan raised taxes by 0.7 percent of GDP in 1998, a third less than the one percent raised that year by President Reagan's tax increase of 1982. As a share of GDP, the 1982 tax increase was the largest in U.S. history.

Largely due to the President's plan and the economic growth it helped spur, the deficit fell from \$290 billion in 1992 to \$164 billion in 1995; we expect it to remain near this level through 1997. The United States now has the smallest deficit, relative to the size of its economy, of any developed country in the world except Norway.

At the same time, even with total discretionary spending increasing far less than inflation, the President has worked with Congress to reallocate funds to programs that invest in the future and, thus, spur economic growth. While the private sector plays the lead role in creating growth, the Federal Government must play a key supporting role.

Among other things, the President and Congress increased funding for Head Start; Goals 2000 educational reforms; college scholarships; dislocated worker assistance; Clean Water and Safe Drinking Water revolving funds; environmental protection; the national forests and parks; community policing; and salaries and expenses for the FBI, the Immigration and Naturalization Service, and Federal prisons.

The President and Congress also created and funded the Americorps program that

Table 2-1. TAX CHANGES SINCE 1968

Tax Changes	Effect as percent of 1998 GDP
1968-69 Vietnam War income tax surcharge	2.1
1977 Social Security changes	0.9
1981 Reagan tax cut	-4.1
1982 Tax boost and gas tax	1.0
1983 Social Security changes and 1984 budget bill	0.9
1990 Bush deficit reduction	0.4
1993 Clinton deficit reduction	0.7

Source: Wall Street Journal, February 16, 1996

enables students to work in communities while earning funds for college; the Charter Schools program to support public school choice; the School-to-Work Opportunities Act to help young people make a smooth transition from high school to work; and the Federal Direct Student Loan program to make borrowing cheaper and more effective, and to ease the burden of repayment.

Economic Achievements

By addressing the deficit, the Administration helped resolve the economy's short-run problems. The President's economic plan enabled the Federal Reserve to maintain low interest rates throughout 1993, and financial markets responded by lowering long-term rates.

For example, the yield on ten-year Treasury notes fell from $6\frac{3}{4}$ percent in late 1992 to $5\frac{3}{4}$ percent by the end of 1993, helping to end the credit crunch. Interest rates have fluctuated since 1993, but with the fall in

the deficit freeing up resources for private investment, investment has boomed ever since.

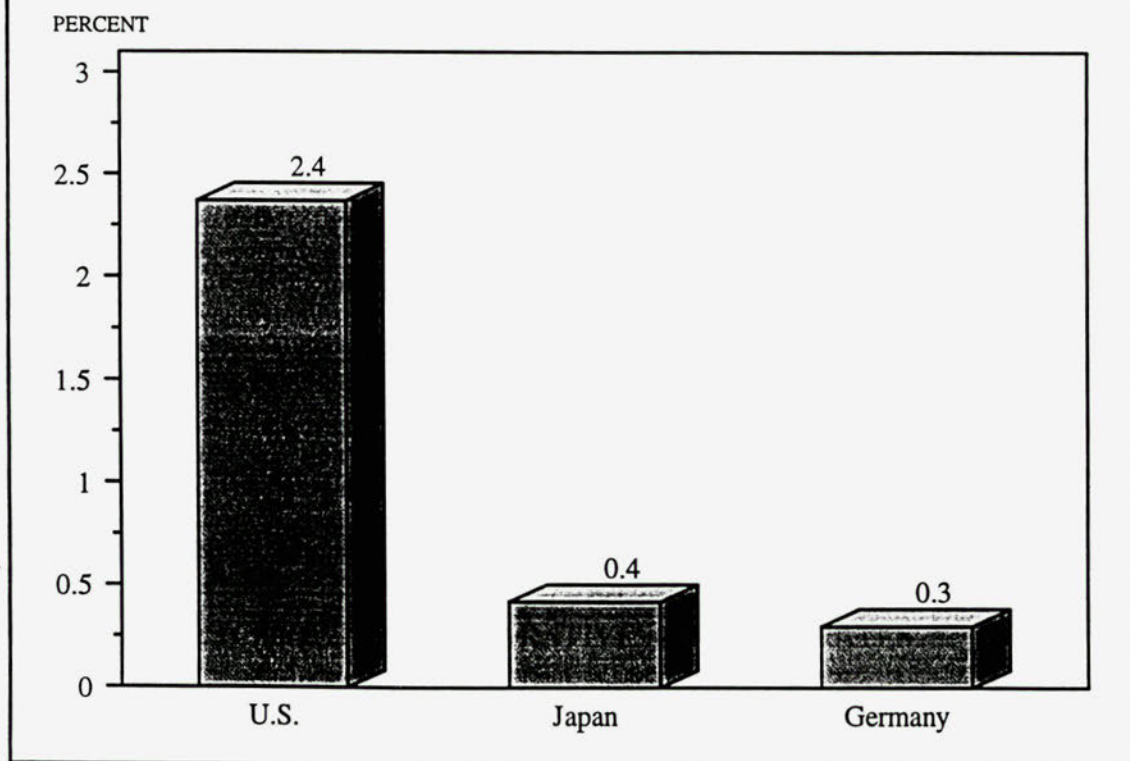
Real growth accelerated in 1993, but inflation remained firmly in check. Within two years, unemployment fell below six percent, producing the lowest combined rates of unemployment and inflation in three decades.

Job Growth Up, Unemployment Down: Since January 1993, the economy has added 7.7 million net new jobs, an average of 214,000 a month (see Chart 2-9). Over seven million were in the private sector, over half of those in the high-paying professional or managerial categories. The economy created over a million new jobs in the basic industries of construction and manufacturing, including the bellwether automobile industry.

Economic Growth Up: Also since January 1993, real GDP has risen at a 2.7 percent annual rate, roughly triple the average growth rate of the prior three years and faster than

Chart 2-11. COMPARATIVE GROWTH RATES

(average annual growth rates of real GDP, Q4/1992 to Q2/1995)



such economies as Japan's and Germany's (see Charts 2-10 and 2-11).

Inflation Under Control: The Consumer Price Index has risen an average of just 2.6 percent a year since January 1993, marking the smallest three-year rise since the mid-1960s (see Chart 2-12).

Interest Rates Down: In the President's first year, long-term interest rates paid by home buyers, business investors, and the Government fell by over a point. Inflation fears temporarily reversed that drop in 1994, but interest rates fell again in 1995, as inflation fears proved unwarranted and chances for more deficit reduction rose. By the end of 1995, long-term rates were down a full point from their levels in January 1993. Aside from a few months in 1993, long-term rates were at their lowest point since the 1960s.

Household Wealth: Lower interest rates improved the financial standing of households by making home ownership more affordable and boosting the stock market. The home ownership rate rose to 65.1 percent by the end of 1995, its highest since 1981. Meanwhile, the stock market has given its strong endorsement on the state of the economy. Since January 1993, the Dow-Jones Industrial average has risen by over 60 percent, with 36 percent of that coming in 1995. All other major stock market indexes were up by corresponding amounts.

Exports Up: U.S. exports of goods and services have risen at a rapid 7.6 percent annual rate (after adjusting for inflation) since the first quarter of 1993. Merchandise exports have risen even quicker, at a 9.6 percent rate. The export record is particularly impressive in light of the anemic growth in some of the other major industrialized countries. Real GDP growth in the United States topped that of both Germany and Japan over the past three years.

With other economies growing more slowly than ours, our imports should have grown faster than our exports. They did. Consequently, the trade deficit rose through the first half of 1995. But, as the gap in economic growth narrowed a bit in the second half of the year, so did the deficit: It fell each month between July and November of 1995,

from \$11.4 billion to \$7.1 billion. The bilateral deficit with Japan dropped from an annual rate of \$64.7 billion in the first half of 1995 to \$56.3 billion in the second half.

Progress Against Unfavorable Long-Term Trends

As we have seen, the economy as a whole has improved markedly in the last three years. To be sure, we face the ongoing challenge of addressing the fundamental factors that determine long-term prosperity. Even for those, however, various signs of progress appeared in 1994, the last year for which statistics are available.

Median family income rose while the poverty rate—and, importantly, the poverty rate for children—fell. Real incomes grew in all five quintiles of the income scale for the first time in five years (see Chart 2-14).

Further improvement may have occurred last year, given the favorable levels of unemployment and growth in real income. The President's program is designed to do even more by creating opportunity and encouraging responsibility (see Chapters 5-12) and providing tax relief to millions of middle-income families (see Chapter 12).

Productivity growth has only begun to rise above its long-term trend of two decades and the final pay-off of deficit reduction is years away. But the fundamental economic changes are in the right direction.

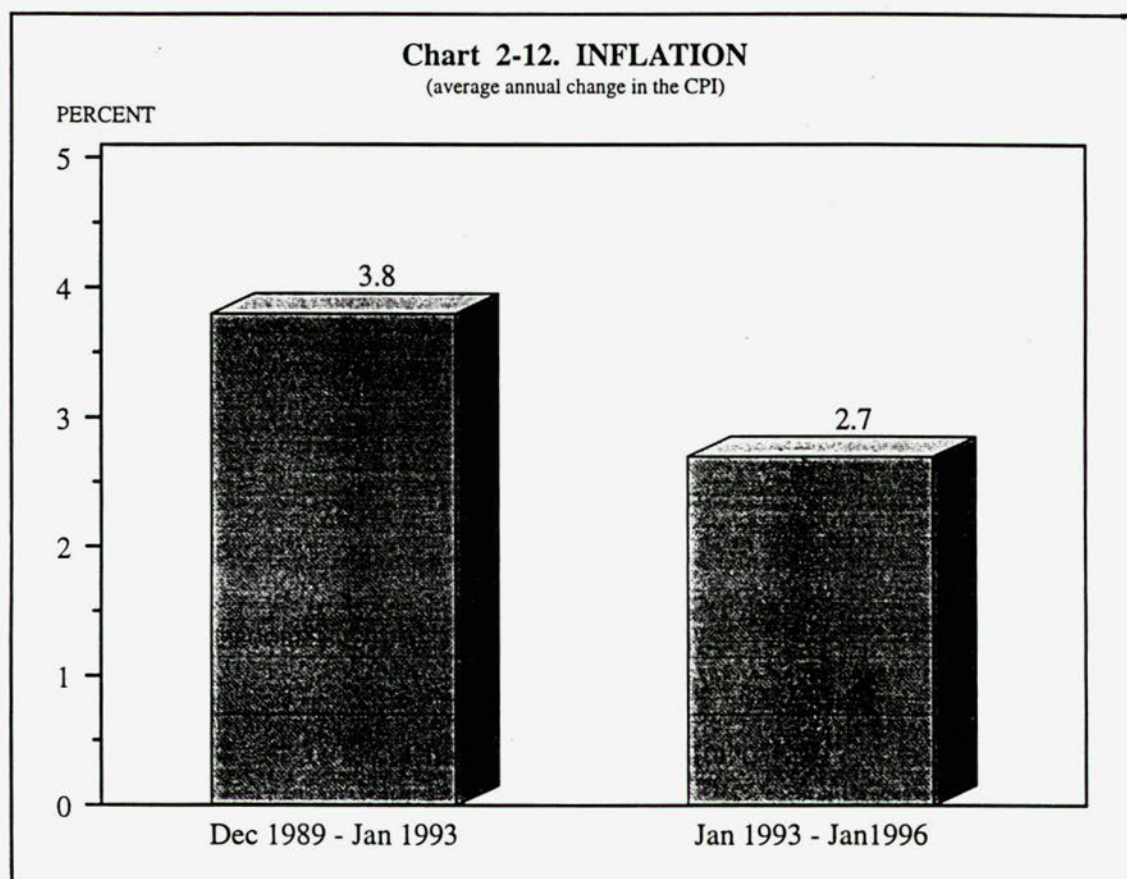
In the coming years, the saving and investment boom of the last three years will generate higher incomes by enabling workers to produce and earn more. In the near term, the main effect of higher investment has been to lower unemployment—itself an early step toward greater prosperity.

A PRUDENT LOOK AT THE ECONOMIC FUTURE

In its economic assumptions, the Administration projects a continuation of current favorable economic conditions. The assumptions are reasonable and conservative.¹

Specifically, they project:

¹For a more detailed explanation of the Administration's economic assumptions, see *Analytical Perspectives*.

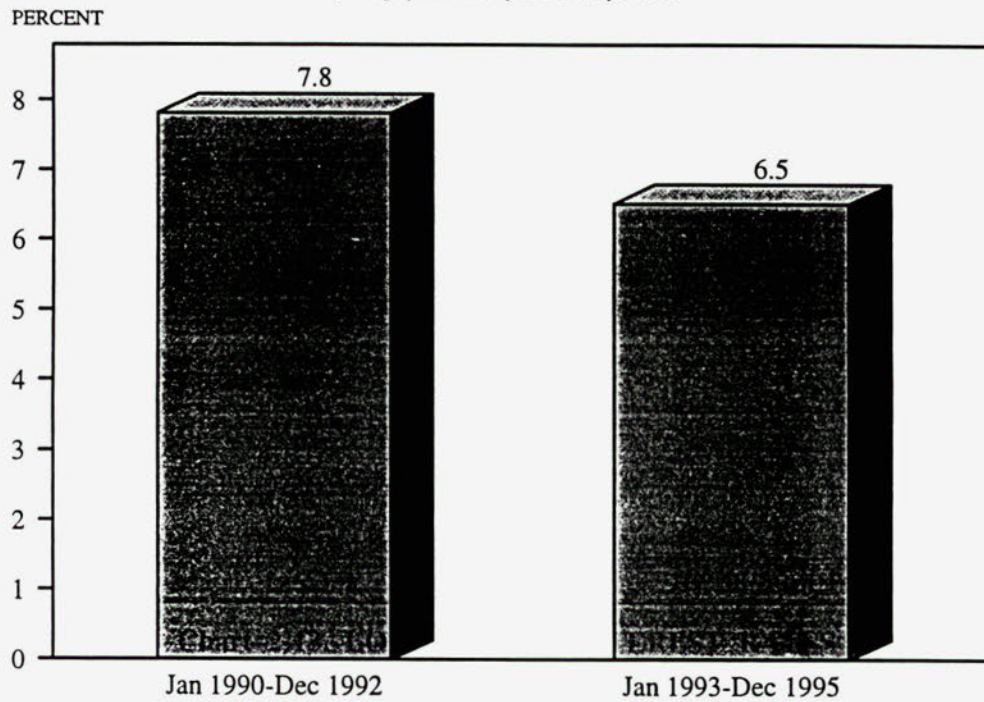


- Real GDP growth (on the new chain-weighted basis²) that averages 2.3 percent a year through 2002, in line with private forecasters and CBO—about a half-point a year less than what the Administration has achieved over the last three years.
- The unemployment rate to remain stable at 5.7 percent, close to its current level and within the range that it has maintained for over a year.

²The Government now measures growth on the new basis that the Bureau of Economic Analysis introduced in January 1996.

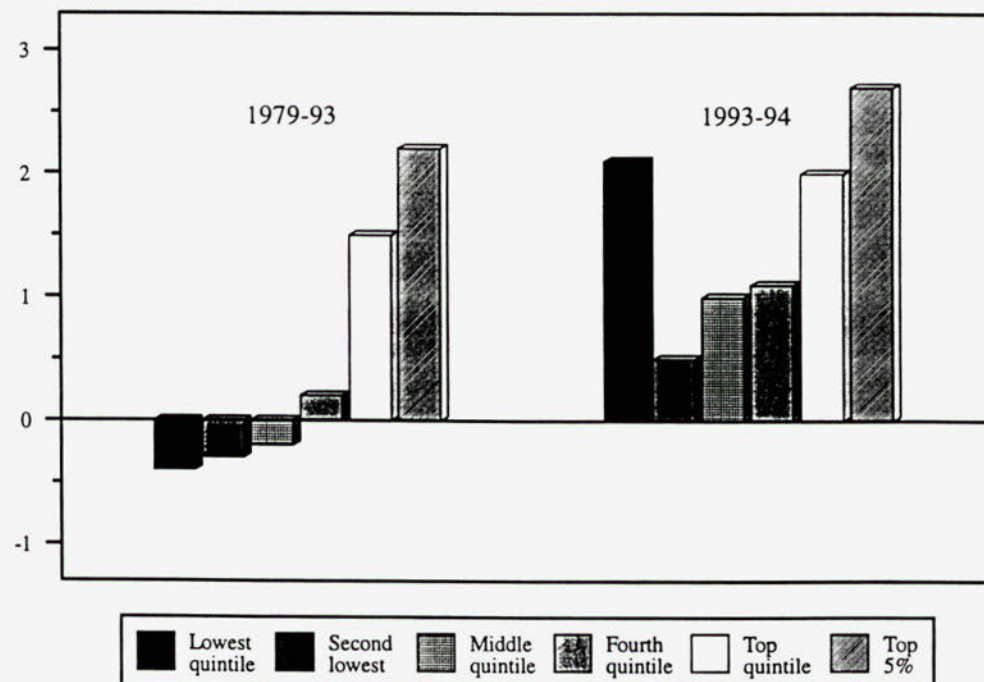
Chart 2-13. LONG - TERM INTEREST RATES

(average yield on 10-year Treasury Notes)

**Chart 2-14. AVERAGE HOUSEHOLD INCOME BY QUINTILE**

(mean income adjusted for inflation)

PERCENT, ANNUAL RATE



Source: Bureau of the Census.

- An increase in CPI of about 2.8 percent a year from 1998 to 2002, about the same as it averaged in the previous three years.
- The 10-year Treasury bond rate to fall by 1.1 percentage points over the next four years as the deficit continues to decline. Over the past year, the rate has fallen by two percentage points.

These economic assumptions presume that Congress adopts the President's proposals—most fundamentally that the President and Congress put the budget on a path to balance by 2002—and that the progress will be evident to households, businesses and investors. If so, the Administration expects to see further declines in interest rates, stimulating sustained growth and investment.

Table 2-2. ECONOMIC ASSUMPTIONS¹

(Calendar years; dollar amounts in billions)

	1994 Actual	Projections							
		1995	1996	1997	1998	1999	2000	2001	2002
Gross Domestic Product (GDP):									
Levels, dollar amounts in billions:									
Current dollars	6,931	7,254	7,621	8,008	8,417	8,848	9,295	9,772	10,268
Real, chained (1992) dollars	6,604	6,742	6,888	7,047	7,212	7,380	7,553	7,730	7,911
Chained price index (1992=100), annual average	105.0	107.6	110.6	113.6	116.7	119.9	123.1	126.4	129.8
Percent change, fourth quarter over fourth quarter:									
Current dollars	5.9	4.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Chained (1992) dollars	3.5	1.5	2.2	2.3	2.3	2.3	2.3	2.3	2.3
Chained price index (1992=100), annual average	2.3	2.5	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Percent change, year over year:									
Current dollars	5.8	4.7	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Chained (1992) dollars	3.5	2.1	2.2	2.3	2.3	2.3	2.3	2.3	2.3
Chained price index (1992=100), annual average	2.3	2.5	2.8	2.7	2.7	2.7	2.7	2.7	2.7
Incomes, billions of current dol- lars:									
Personal income	5,750	6,104	6,416	6,716	7,025	7,337	7,664	8,031	8,434
Wages and salaries	3,241	3,420	3,607	3,801	3,995	4,193	4,403	4,629	4,864
Corporate profits before tax	528	602	650	702	753	800	843	882	917
Consumer Price Index (all urban):²									
Level (1982-84=100), annual av- erage	148.2	152.4	156.6	161.3	165.9	170.5	175.3	180.2	185.2
Percent change, fourth quarter over fourth quarter	2.6	2.7	3.1	2.9	2.8	2.8	2.8	2.8	2.8
Percent change, year over year	2.6	2.8	2.8	3.0	2.8	2.8	2.8	2.8	2.8
Unemployment rate, civilian, per- cent:									
Fourth quarter level	5.6	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Annual average	6.1	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Federal pay raises, January, per- cent:									
Military	2.2	2.2	2.6	3.0	3.1	3.1	3.1	3.1	3.1
Civilian ³		2.0	2.0	3.0	NA	NA	NA	NA	NA
Interest rates, percent:									
91-day Treasury bills ⁴	4.3	5.5	4.9	4.5	4.3	4.2	4.0	4.0	4.0
10-year Treasury notes	7.1	6.6	5.6	5.3	5.0	5.0	5.0	5.0	5.0

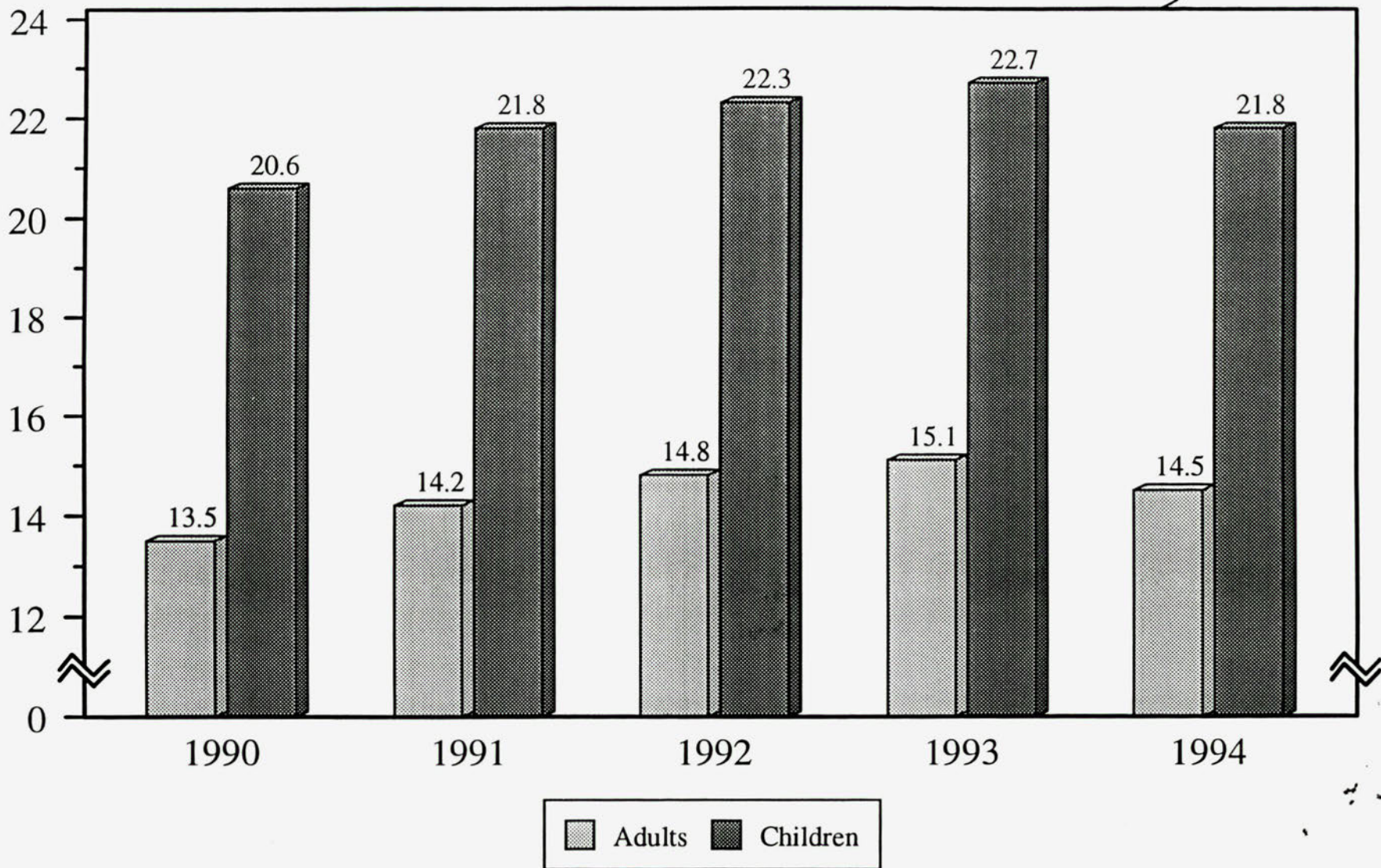
NA=Not applicable.

¹Based on information available as of mid-January 1996.²CPI for all urban consumers. Two versions of the CPI are published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets. Projections reflect scheduled changes in methodology.³Percentages for 1994-1996 exclude locality pay adjustments. Percentages to be proposed for years after 1997 have not yet been determined.⁴Average rate (bank discount basis) on new issues within period.

Chart 2-1?. POVERTY RATES FOR ADULTS AND CHILDREN

PERCENT

(Is this to be included?) NR



Note: Adult poverty rates are shown as a percent of total population. Child poverty rates are shown as a percent of children under the age of 18..

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 3/1/96

TO: Tony Lake

FROM: Staff Secretary

Do you want to make any comments
on this before it goes to POTUS?

Todd Stern

cc: Sandy Berger

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 3-7

TO: Tony Lake

FROM: Staff Secretary

you want to make
any comment on this
before it goes to POTUS?

Indy

cc: Sandy Berger

THE WHITE HOUSE
WASHINGTON

96 MAR 1 P7:26

March 1, 1996

MEMORANDUM FOR THE PRESIDENT

From : Mike McCurry *mm*
Assistant to the President and Press Secretary

Re : Letter from CNN

I wanted to make sure that you reviewed the enclosed letter from CNN's President Tom Johnson on the issue of journalists and the CIA. CNN is seeking a statement from the Administration on this issue.

Please let me know if you would like a response drafted or if you would like for us to arrange a call with Tom Johnson.

Thank you.

*We've had a lot
of contact with
him. Tony and I
have both stayed
in touch.*

ONE CNN CENTER, Box 105366, Atlanta, GA 30348-5366

TOM JOHNSON
President
(404) 827-1311
Fax: (404) 827-4215

February 29, 1996

The Honorable William Jefferson Clinton
President
The United States of America
The White House
Washington, D.C. 20500

Dear Mr. President:

An issue of such critical importance has arisen that I feel compelled to appeal to you for support from The White House and from you personally.

It is the first and only time that I have approached you directly on a matter of such severity. I do not take lightly the demands which are on your time and on your plate.

Recently, it was disclosed that there are exceptions under which journalists can be used as "covers" for CIA spying.

That policy, and those exceptions, simply must not stand. To permit this policy to remain in effect places every journalist under suspicion of being a CIA spy. Recently, CNN's local Iraqi driver was tortured unmercifully on two occasions as Iraqi officials tried to force him to identify which CNN staffers were CIA operatives. Even though he denied that any was a CIA employee, he had his home, his car, and all of his possessions confiscated and was returned for another period of torture. (A memorandum from Eason Jordan, the CNN International Editor, is attached).

I met last Friday with CIA Director Deutch. He understands the dilemma. I also have spoken with Tony Lake, Mike McCurry, and Senator Arlen Specter, Chairman of the Senate Select Committee on Intelligence.

We need a statement which reads: "An absolute ban on the use of journalists as covers for spying is the policy of this administration. There will be no exceptions."

I would welcome an opportunity to talk with you in person or by phone. If Director Deutch and you discuss this, I hope that you will consider my views and

Page Two

those of other news organizations which are working inside such countries as Iraq, North Korea, Iran, Cuba and other nations which are hostile to the United States. Journalists in many countries already are in danger. Many have been shot, killed, mugged, interrogated, and held captive. This policy adds severely to the dangers and the risks they face.

Keeping this policy alive not only jeopardizes the lives of journalists, but also shuts off information for the American public.

I have been most pleased by the open attitude that Director Deutch, Tony Lake, and Mike McCurry have provided to me.

I hope you will act promptly on this request.

Sincerely,

A handwritten signature in cursive script, reading "Tom Johnson". The signature is written in dark ink and is positioned below the word "Sincerely,".

cc: Director Deutch
The Honorable Tony Lake
The Honorable Mike McCurry
Senator Arlen Specter

goldenr

Thu Feb 22 10:03 page 1

SLUG	WRITER	DAY	DATE	TIME	REV. BY	ON	STATUS	TIME
	jordan	Thu	Feb 22	09:49	jordan	Feb 22 10:02	READY	1:09

=====

To: Tom Johnson

From: Eason Jordan

Date: 22 February 1996

CNN staffers on several occasions in hostile locales have faced accusations of direct or indirect links to the CIA.

A prime example:

A key minister in Iraq, Revolutionary Command Council member Hamad Youssef Hummadi, once accused me in a one-on-one meeting of being a CIA agent. He refused to accept my denial. In recent months our local-hire driver in Baghdad, Bassem, twice was subjected to multi-week torture sessions at the hands of the Iraqi secret police. I saw him after the first episode. Bassem was permanently disfigured, blinking incessantly and shaking uncontrollably. Bassem told me his interrogators wanted him to identify CIA agents masquerading as CNN journalists. Bassem said the secret police used every means imaginable to convince Bassem to confirm what the secret police told him was their suspicion that I'm the CIA station chief for Iraq. Bassem claimed he refused to finger any CNN'ers as a CIA agent. Bassem subsequently had his belongings -- house and car -- expropriated by the Iraqi government. He thereafter was brought back to Mukabarat headquarters for several more weeks of brutal questioning. At roughly the same time, a senior Iraqi official warned me privately to stay out of Iraq.

★
Regards,

Clerk

3-1-96

ROUTING SLIP

DATE: 10/12/94FROM: Billy Webster
Director of Scheduling and AdvanceSUBJECT: Prez. Council on Sustainable Development Awards
Participation in the TV Event Gala

Joan Baggett

Mack McLarty

Rebecca Cameron

Dee Dee Myers

Abner J. Mikva

Leon Panetta

Rahm Emanuel

John Podesta

Mark Gearan

Jack Quinn

David Gergen

mc Ginty
Carol Rasco

Jack Gibbons

Bob Rubin

Cindy Gire

Patti Solis

Pat Griffin

G. Stephanopoulos

Marcia Hale

Ann Stock

Alexis Herman

Stephanie Streett

Nancy Hernreich

Christine Varney

Harold Ickes

Joe Velasquez

Erskine Bowles

Melanne Verveer

Anthony Lake

Anne Walley

Bruce Lindsey

Maggie Williams

Anne McGuire

Tony Wilson

FILE:

Accept April 95 taping date TBD

FYI

ADVICE

ACTION

COMMENTS: Date tbd by Anne Walley.per E. Bowles / B. Webster
10/1Domestic
Accept
date tbd
Mc Ginty / Quinn132317
IV095

THE WHITE HOUSE

WASHINGTON

OCTOBER 5, 1994

MEMORANDUM FOR BILLY WEBSTER

FROM: KATIE McGINTY *met for K.M.*

SUBJECT: SCHEDULING REQUEST

REQUEST: Appearance on and participation in a televised gala awards ceremony.

PURPOSE: To highlight the work of the President's Council on Sustainable Development, and more generally the President's commitment to the environment. This event would be in the same vein as a PARADE magazine interview or other similar feel-good event.

BACKGROUND: The President's Council on Sustainable Development was established by Executive Order on June 14, 1993. It has 25 members: CEO's of large corporations, heads of major environmental organizations, five Cabinet Secretaries, and other officials. The PCSD is charged with several responsibilities. Among those responsibilities is selection of recipients for a Presidential "Sustainable Development" award. The gala would provide a high visibility venue for promoting our theme of environmental health with economic growth and highlight the real world examples of that theme; the award winners.

DATE AND TIME: April 19, 1994. The exact time has yet to be determined.

LOCATION: The Kennedy Center

OUTLINE OF EVENTS: The 90 minute prime-time program would include comedy acts and singing performances by various celebrities (e.g. Billy Crystal, Barbra Streisand) and the awards ceremony itself. Awards would be given out by the President, First Lady, Vice President, and Mrs. Gore.

REMARKS: Remarks to be prepared by PCSD/OEP staff.

MEDIA: This event would be televised.

ATTENDANCE:

POTUS, VPOTUS, the First Lady, Mrs. Gore.

CONTACT:

Matt Riordan 6-6540

copy all
to McGuire

accept, clarify date
w/ Waller

10/12
BW.

Push to B. Webster

Billy -

SEPTEMBER 20, 1994

As I understand it
from the VP, we must let
CBS know by Oct. 11 (Mon.)
if we want them to televise
this event --
the event
itself is
next
April.

MEMORANDUM FOR LEON PANETTA

FROM: KATIE MCGINTY

SUBJECT: PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT
ENVIRONMENTAL AWARDS GALA

This purpose of this memo is to obtain your approval of the concept of a nationally-televised Kennedy Center gala and awards ceremony tentatively called "The President Celebrates Earth Day". This coming Earth Day will be the 25th anniversary. We need approval this far in advance (the proposed date of the event is April 19) due to television network scheduling needs. Several major networks have expressed interest, and Good Housekeeping magazine has committed to an extensive promotional effort. The PCSD needs the White House officially behind them in order to proceed with the networks and sponsors.

This event would be in the same vein as an interview with PARADE magazine or other general feel-good events. The 90 minute prime-time program would include comedy acts and singing performances by various celebrities (e.g. Billy Crystal, Barbra Streisand) and the awards ceremony itself. Awards would be given out by the President, First Lady, the Vice President, and Mrs. Gore.

The President's Council on Sustainable Development was established by Executive Order on June 14, 1993. It has 25 members: CEO's of large corporations, heads of major environmental organizations, five Cabinet Secretaries, and other officials. The PCSD is charged with several responsibilities. Among those responsibilities is selection of recipients for a Presidential "Sustainable Development" award. The gala would provide a high visibility venue for promoting our theme of environmental health with economic growth and highlight the real world examples of that theme: the award winners.

Attached please find the rough draft of an event memo. We need to make a decision on this by Friday, September the 23rd to secure the air time with the networks. Please call me at 456-6533 if you have any questions.

cc: John Angell

Thanks
Jack Q.

Anne McGuire -

See if there are any wires on this
topic. Send this letter to Katie
McGinty to give me a proposal as this
falls in her jurisdiction. Please
call Marie Middleton (Mack's person) and tell
him status of all - he is Mack's
person. ~~Someone~~ Call me w/ questions.

Citizen

THE WHITE HOUSE
WASHINGTON

9/29/94

Billy,

Please let me
know something on
this. Mack is
close to Jerry.

Charles.

Mark

6-2663

**ENRON
CORP**

Terence H. Thom
Senior Vice President
Government Affairs and
Public Policy

September 28, 1994

P. O. Box 1188
Houston, Texas 77251-1188
(713) 853-3071
Fax (713) 646-4831

BY FAX: 202-456-2883

Mr. Mack McLarty
Counselor to the President
The White House
1600 Pennsylvania Ave.
Washington, DC 20500

Dear Mack:

As you may or may not know, Enron is a member of the President's Council on Sustainable Development. More importantly, I am Co-Chairman of the Awards Task Force which will present next year a series of Presidential Awards for excellence in sustainable development. It is my belief that this high profile awards program will put the Council "on the map" and help make nationally known the President's commitment that economic growth and environmental protection are not mutually exclusive.

We have assembled an excellent team for the awards program and have already raised several hundred thousand dollars for the effort. The White House environmental team has been great but we have hit a major snag and I need your help.

It is our intent to combine the PCSD awards program with the Earth Day celebrations next year. We have interest from the networks who would televise the proceedings at a grand gala at the Kennedy center (which we've booked). The missing piece of the puzzle is White House approval to go ahead with the gala. Our proposal has been on Mr. Panetta's desk this past two weeks and we are running out of time. TV time is being booked as we speak and our window of opportunity is quickly closing.

A decision is needed this week. How do we make that happen? We shouldn't have to work so hard to do something positive for the President.

Sincerely,



THE PRESIDENT HAS SEEN

10/10/94

~~BB King Under
UPA working on this~~

The President Celebrates Earth Day

PCSD Presidential Honors

A Primetime Network Television Special

The Presidential Honors is a ninety minute, Primetime Network Television Special, to be televised from the Capital's most prestigious performance venue, the Kennedy Center.

Co-hosted by America's premiere entertainers from the worlds of music, comedy, television, and motion pictures, this variety special and awards gala illuminates the work of the President's Council on Sustainable Development. It will salute the achievements that demonstrate the potential for strong communities across America, where sound environmental practices and healthy economies complement each other.

Attended by President and Mrs. Clinton and Vice President and Mrs. Gore, the program will consist of musical performances, comedy sketches, and dance numbers to appropriately provide an entertainment package for the evening. The five PCSO awardees will be introduced by a celebrity whose personal concerns coincide with the awardees. Each of these presentations will be set up by a short "mini-doc" taped at the time of the local media events. These pre-taped pieces will function to explain the particular achievements being honored.

The program will climax when the President takes the stage to present awards to the honorees, thank participants, and remind the millions of home viewers that sustaining a healthy economy, a functioning environment, and social equity is everyone's business.

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***Good Housekeeping* magazine will publish an editorial section featuring the awards and the work of the PCSD.**

THE WHITE HOUSE
WASHINGTON

OCTOBER 5, 1994

94 OCT 5 P2:19

copy to Anne Walley

in database

MEMORANDUM FOR BILLY WEBSTER

FROM: KATIE McGINTY *met for K.M.*
SUBJECT: SCHEDULING REQUEST

REQUEST: Appearance on and participation in a televised gala awards ceremony.

PURPOSE: To highlight the work of the President's Council on Sustainable Development, and more generally the President's commitment to the environment. This event would be in the same vein as a PARADE magazine interview or other similar feel-good event.

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DATE AND TIME: April 19, 1995 *5* The exact time has yet to be determined.

LOCATION: The Kennedy Center

OUTLINE OF EVENTS: The 90 minute prime-time program would include comedy acts and singing performances by various celebrities (e.g. Billy Crystal, Barbra Streisand) and the awards ceremony itself. Awards would be given out by the President, First Lady, Vice President, and Mrs. Gore.

REMARKS: Remarks to be prepared by PCSD/OEP staff.

MEDIA: This event would be televised.

deadline: ASAP

ATTENDANCE:

POTUS, VPOTUS, the First Lady, Mrs. Gore.

CONTACT:

Matt Riordan 6-6540

Anne McGuire -

See if there are any wires on this topic. Send this letter to Katie Mc Ginty to give us a proposal as this falls in her jurisdiction. Please call Marie Madalston (Mack's person) and tell him status of all - he is Mack's person. ~~Answer~~ Call me w/ questions.
Cillian

THE WHITE HOUSE
WASHINGTON

9/29/94

Billy,

Please let me know something on this. Mack is close to Jerry.

Charles,

Mack

6-2663

**ENRON
CORP**

Terence H. Thom
Senior Vice President
Government Affairs and
Public Policy

September 28, 1994

P. O. Box 1188
Houston, Texas 77258-1188
(713) 853-3071
Fax (713) 646-4831

BY FAX: 202-456-2883

Mr. Mack McLarty
Counselor to the President
The White House
1600 Pennsylvania Ave.
Washington, DC 20500

Dear Mack:

As you may or may not know, Enron is a member of the President's Council on Sustainable Development. More importantly, I am Co-Chairman of the Awards Task Force which will present next year a series of Presidential Awards for excellence in sustainable development. It is my belief that this high profile awards program will put the Council "on the map" and help make nationally known the President's commitment that economic growth and environmental protection are not mutually exclusive.

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It is our intent to combine the PCSD awards program with the Earth Day celebrations next year. We have interest from the networks who would televise the proceedings at a grand gala at the Kennedy center (which we've booked). The missing piece of the puzzle is White House approval to go ahead with the gala. Our proposal has been on Mr. Panetta's desk this past two weeks and we are running out of time. TV time is being booked as we speak and our window of opportunity is quickly closing.

A decision is needed this week. How do we make that happen? We shouldn't have to work so hard to do something positive for the President.

Sincerely,



log

Scheduling Advice Memorandum

FROM: RICKI SEIDMAN

TO:

JOAN BAGGETT
LLOYD CUTLER
RAHM EMANUEL
JOHN EMERSON
MARK GEARAN
JACK GIBBONS
PAT GRIFFIN
MARCIA HALE
KAREN HANCOX
ALEXIS HERMAN
NANCY HERNREICH
HAROLD ICKES
WILL ITOH
PHIL LADER
ANTHONY LAKE
BRUCE LINDSEY
AL MALDON

KATIE MCGINTY
MACK MCLARTY
LEON PANETTA
JOHN PODESTA
JACK QUINN
CAROL RASCO
BOB RUBIN
ELI SEGAL
PATTI SOLIS
GEORGE STEPHANOPOLOUS
ANN STOCK
CHRISTINE VARNEY
MELANNE VERVEER
DANNY WEXLER
MAGGIE WILLIAMS
TONY WILSON

X

RE: President's Council on Sustainable Development
+ Earth Day
The Scheduling Office is considering the attached invitation.
Please advise us:

- ☐ POTUS should attend.
☐ POTUS should/need not attend.
☐ POTUS should/need not attend but should send a representative

X

If you think POTUS should attend please submit a proposal ASAP

to Colleen McCarthy on 6rd Floor, WW

Your Additional Comments:

THE WHITE HOUSE
WASHINGTON

9/29/94

(
Billy,

Please let me
know something on
this. Mark is
close to Jerry.

Charles,

Mark
6-2663

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Sincerely,



copy all
to McGuire

RUSA to B. Webster

Billy -

SEPTEMBER 20, 1994

MEMORANDUM FOR LEON PANETTA

FROM: KATIE MCGINTY

SUBJECT: PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT
ENVIRONMENTAL AWARDS GALA

As I understand it
from the VP, we must let
CBS know by Oct. 11 (Mon.)
if we want them to televise
this event --
the event
itself is

This purpose of this memo is to obtain your approval of the concept of a nationally-televised Kennedy Center gala and awards ceremony tentatively called "The President Celebrates Earth Day". This coming Earth Day will be the 25th anniversary. We need approval this far in advance (the proposed date of the event is April 19) due to television network scheduling needs. Several major networks have expressed interest, and Good Housekeeping magazine has committed to an extensive promotional effort. The PCSD needs the White House officially behind them in order to proceed with the networks and sponsors.

next
April.

Thanks
Jack Q.

This event would be in the same vein as an interview with PARADE magazine or other general feel-good events. The 90 minute prime-time program would include comedy acts and singing performances by various celebrities (e.g. Billy Crystal, Barbra Streisand) and the awards ceremony itself. Awards would be given out by the President, First Lady, the Vice President, and Mrs. Gore.

The President's Council on Sustainable Development was established by Executive Order on June 14, 1993. It has 25 members: CEO's of large corporations, heads of major environmental organizations, five Cabinet Secretaries, and other officials. The PCSD is charged with several responsibilities. Among those responsibilities is selection of recipients for a Presidential "Sustainable Development" award. The gala would provide a high visibility venue for promoting our theme of environmental health with economic growth and highlight the real world examples of that theme: the award winners.

Attached please find the rough draft of an event memo. We need to make a decision on this by Friday, September the 23rd to secure the air time with the networks. Please call me at 456-6533 if you have any questions.

cc: John Angell

THE WHITE HOUSE
WASHINGTON

OCTOBER 5, 1994

MEMORANDUM FOR BILLY WEBSTER

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MEDIA: This event would be televised.

ATTENDANCE:

POTUS, VPOTUS, the First Lady, Mrs. Gore.

CONTACT:

Matt Riordan 6-6540

Anne McGuire -

See if there are any invites on this
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falls in her jurisdiction. Please
call Marie Middleton (Mack's person) and tell
him status of all - he is Mack's
person. ~~Advise~~ Call me w/ questions.

Citizen

THE WHITE HOUSE
WASHINGTON

9/29/94

Billy,

Please let me
know something on
this. Mack is
close to Jerry

Thanks

Mark

6-2663

**ENRON
CORP**

Terence H. Thorn
Senior Vice President
Government Affairs and
Public Policy

September 28, 1994

P. O. Box 1188
Houston, Texas 77251-1188
(713) 853-3071
Fax (713) 646-4831

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Sincerely,



THE PRESIDENT HAS SEEN

10/10/94

Un-BRining Under
Working on this
B

The President Celebrates Earth Day

PCSD Presidential Honors

A Primetime Network Television Special

The Presidential Honors is a ninety minute, Primetime Network Television Special, to be televised from the Capital's most prestigious performance venue, the Kennedy Center.

Co-hosted by America's premiere entertainers from the worlds of music, comedy, television, and motion pictures, this variety special and awards gala illuminates the work of the President's Council on Sustainable Development. It will salute the achievements that demonstrate the potential for strong communities across America, where sound environmental practices and healthy economies complement each other.

Attended by President and Mrs. Clinton and Vice President and Mrs. Gore, the program will consist of musical performances, comedy sketches, and dance numbers to appropriately provide an entertainment package for the evening. The five PCSD awardees will be introduced by a celebrity whose personal concerns coincide with the awardees. Each of these presentations will be set up by a short "mini-doc" taped at the time of the local media events. These pre-taped pieces will function to explain the particular achievements being honored.

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9/29/94

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6-2663

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Sincerely,



THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 3-1

TO: Sandy

FROM: Staff Secretary

Do you want to
put a cover on
this? Let me
know.

Ted

original held
here per
TOD



DEMOCRATIC NATIONAL COMMITTEE

Donald L. Fowler, *National Chair* • Christopher J. Dodd, *General Chair*

MEMO TO: President Bill Clinton

FROM: Don Fowler DLF

RE: Haiti

DATE: February 23, 1996

At a recent coffee one of the guests raised the subject of rebuilding the infrastructure in Haiti. Your response was in essence that we have some obligation to help with that, but not the resources to do the entire job by ourselves. After the meeting, I mentioned to you briefly an experience that I had in the aftermath of the Grenada intervention in 1983.

At that time, I was Commander of an Army Reserve Civil Affairs Brigade. We provided support for the XVIII Airborne Corps on a number of their missions, including the Grenada intervention. We were asked by the Government of Grenada and resident officials of the US Agency for International Development to undertake a project that would provide some benefits for the people of Grenada. After some consideration and planning, we, along with the Grenada Governmental officials and US AID officials, undertook a project to rebuild the schools in Grenada -- not the educational system, but the school buildings themselves.

There were twenty-three (maybe twenty-two) separate buildings on the Island. Some were public schools and some were private schools operated primarily by the Catholic Church. All had over time fallen into significant disrepair and needed substantial refurbishing.

After a good deal of thinking, we came up with a system that involved a program with the following elements.

- Members of our unit (the 360th Civil Affairs Brigade located at Fort Jackson South Carolina) coordinated the entire project. This involved having teams of three to five people in Grenada continuously from September, 1983, to June, 1984.
- We recruited Reserve Component personnel from the Army Reserves, the Navy Reserves and a number of National Guard units. Most, but not all, of these personnel were from engineer units.

- Our role was not to do the refurbishing ourselves, but to supervise and train citizens of Grenada in the building trades -- carpentry, painting, masonry, electric wiring, and everything else that is part of rebuilding medium sized buildings.
- Materials for the construction work were supplied by the US AID.

This project proved to be quite successful. Reservists used their annual training for which appropriations were already made and thus incurred little or no net increase in cost to the US Government. Grenadians were taught valuable skills that they could apply to the civilian economy after the school refurbishing project was completed. The US Government gained substantial goodwill with only minimal cost of materials.

Reserve Component personnel, unit commanders, and policy makers are always anxious to find "real world projects" for Reservists to engage in during their annual training. For military personnel from engineer companies and battalions and for personnel of civil affairs unit, the project in Grenada was tailor made.

It is true that the mix of personnel from US AID, the Government of Grenada, and our particular military commanders was, if not unique, clearly distinctive. If it had not been for the common perspective and understanding that we had, this project would not have worked, but it did.

Haiti is a larger country than Grenada (only about 100,000 people on a Island that measures roughly twenty miles north to south and twelve miles east to west) and the culture is quite different in that the people of Grenada had considerable experience with democratic institutions and were open to suggestions and cooperative arrangements. While these same qualities are not necessarily present in Haiti, our experience in Grenada, nevertheless, offers a model for constructive and innovative infrastructure development in Haiti. To undertake a program (or a mission as the military terms it) in Haiti that would treat any significant portion of their infrastructure to the extent that we attempted in Grenada would require a much larger effort. If you could however, arrange the same combination of people and materials, you could undertake a project there and do it for a modest cost.

If this proves to be interesting to you or anyone in the Pentagon, I would be happy to discuss it further. Debbie Lee, who is the Assistant Secretary of Defense for Reserve Components, is a friend. We have briefly discussed this Grenada project, so she might have some knowledge of it.

Please call if this is of interest.

THE PRESIDENT HAS SEEN
Sandy 3-1-96
of this as
good as it appears
we need a strategy
to implement it
it - BC

the
original
report was
given
to
Sandy
Berger

S

Preparing for the 21st Century

An Appraisal of U.S. Intelligence



Report of the Commission on the Roles and Capabilities
of the United States Intelligence Community

March 1, 1996

This Publication is available without charge on the Internet, through the Government Printing Office (GPO). The GPO's World Wide Web address for the report is <http://www.access.gpo.gov/int> For answers to questions about GPO's Internet service, call (202) 512-1530.

Preparing for the 21st Century

An Appraisal of U.S. Intelligence

**Report of the Commission on the Roles and Capabilities
of the United States Intelligence Community**

March 1, 1996

**Commission on the Roles and Capabilities
of the United States Intelligence Community**

New Executive Office Building
725 17th Street, N.W., Suite 3201
Washington, D.C. 20503
(202) 414-1140

March 1, 1996

The Honorable Arlen Specter, Chairman
The Honorable Bob Kerrey, Vice Chairman
Select Committee on Intelligence
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman and Vice Chairman:

In accordance with section 904 of the Intelligence Authorization Act for Fiscal Year 1995 (P.L. 103-359), we hereby transmit the final report of the Commission on the Roles and Capabilities of the U.S. Intelligence Community.

The mandate of the Commission was to review the efficacy and appropriateness of the activities of the United States Intelligence Community in the post-Cold War global environment and to make such recommendations as the Commission considered advisable.

The Commission's report, in fact, contains a number of recommendations for action by the Executive and Legislative branches. Separately enclosed are draft documents to implement these recommendations. Adoption of these proposals would, in the view of the Commission, produce a more effective, more efficient, and more responsive Intelligence Community to serve the nation's interests.

For each of us appointed to the Commission, it has been an honor and privilege to have served.

Respectfully,



Harold Brown
Chairman



Warren B. Rudman
Vice Chairman

**Commission on the Roles and Capabilities
of the United States Intelligence Community**

New Executive Office Building
725 17th Street, N.W., Suite 3201
Washington, D.C. 20503
(202) 414-1140

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**Commission on the Roles and Capabilities
of the United States Intelligence Community**

New Executive Office Building
725 17th Street, N.W., Suite 3201
Washington, D.C. 20503
(202) 414-1140

March 1, 1996

The Honorable Larry Combest, Chairman
The Honorable Norman D. Dicks, Ranking Minority Member
Permanent Select Committee on Intelligence
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Combest and Mr. Dicks:

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Commission on the Roles and Capabilities of the United States Intelligence Community



Harold Brown, Chairman



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Lew Allen, Jr.



Zoë Baird



Ann Caracristi



Tony Coelho



David H. Dewhurst



Norman D. Dicks



J. James Exon



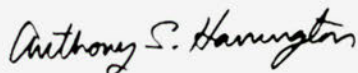
Wyche Fowler



Stephen Friedman



Porter J. Goss



Anthony S. Harrington



Robert J. Hermann

Robert E. Pursley

Robert E. Pursley

John W. Smezer

John W. Smezer

Paul D. Wolfowitz

Paul D. Wolfowitz

Members of the Commission

Harold Brown, Chairman
Warren B. Rudman, Vice Chairman

Lew Allen, Jr.	Stephen Friedman
Zoë Baird	Porter J. Goss
Ann Z. Caracristi	Anthony S. Harrington
Tony Coelho	Robert J. Hermann
David H. Dewhurst	Robert E. Pursley
Norman D. Dicks	John W. Warner
J. James Exon	Paul D. Wolfowitz
Wyche Fowler, Jr.	

Staff

L. Britt Snider, Staff Director
John H. Moseman, Deputy Staff Director
John B. Bellinger III, General Counsel

Cliff Blaskowsky	William T. Kvetkas Jr.
Faith L. Corson	Karen L. McCarty
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Joseph Fearn	Brendan G. Melley
Linda C. Flohr	Charles Peters
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Sarah B. Holmes	Kim M. Simpson
Douglas M. Horner	Lois M. Stuebinger
Loch K. Johnson	William P. Sullivan

Advisers

Maurice Sonnenberg, Senior Adviser
Arnold Kanter
John Schrader
David S. C. Chu

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Dorothy Davis

720 6TH AVENUE
SUITE 1500
NEW YORK, NY 10019
212/582-5531
FAX: 212/246-1867

16

COVER SHEET

Date: **2/29/96**

To: **President Bill Clinton**

Title:

Company:

Telephone:

Fax: **202/456-6703**

From: **Dorothy Davis**

Came into our fax.

3/1/96

Send to Dorskind for reply?

Yes ☒

No ☐

*Original fax sent to
Tom J.*

Number of pages including the cover sheet: 1

I am concerned about the fate of dolphins and other sea creatures, such as sea turtles and sharks. For this reason I support Senator Barbara Boxer's bill that would maintain the sanctions against buying tunafish caught by any vessels that catch tuna by the encirclement method. I do not support Senator Ted Stevens bill that would lift the US embargo.

I also hope that you will close the national forests to extensive logging. Permitting it is unconscionable.

I am glad your administration is supporting a plan to protect the Everglades.

Dorothy Davis



CITY OF BILLINGS

CHARLES F. TOOLEY, MAYOR

P.O. BOX 1178
BILLINGS, MONTANA 59103
(406) 657-8296
FAX (406) 657-8390



96 FEB 29 P2.52

February 28, 1996

President Bill Clinton
The White House
1600 Pennsylvania Avenue NW
Washington, D. C. 20500

Dear Mr. President:

I know that New York's Lew Rudin has informed you about an important event he is hosting in New York on March 28th.

The people of Billings, Montana would be mighty honored to receive a tip of the hat from the President of the United States. Your personal acknowledgement of our community's successful efforts to stand up to hate and violence will send a message of inspiration to the whole country.

You may know the Billings story is highlighted in Mrs. Clinton's wonderful new book, "It takes a Village ...". We are deeply gratified to receive such recognition from her.

Again, Mr. President, I join Mr. Rudin in asking you to participate in this event March 28th.

Sincerely,

Charles Tooley

Charles F. Tooley
Mayor

2/29/96
from OVAL -
OK TO send to *original sent to scheduling*
Scheduling
✓ yes - no

*Potter has had
been*



February 16, 1996

The Honorable William J. Clinton
The President
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Clinton:

I enjoyed our brief visit at the recent Alfalfa Club dinner in Washington. Although circumstances did not allow me to address the topic at that time, I would like to express my respect, admiration and support for Energy Secretary O'Leary.

One of the hallmarks of your Administration has been its willingness to forthrightly address the need to clean up nuclear waste-related problems which are a legacy of our nation's successful winning of the Cold War. Employee-owned CH2M HILL, the world's largest environmental engineering company, is proud to be part of that effort through the KAISER-HILL joint venture which is engaged in meeting the long-standing and very formidable clean-up challenges at Rocky Flats. Through our involvement at Rocky Flats, we have developed great respect for the courage, vision, and innovativeness of Secretary O'Leary and her team at the Department of Energy. Secretary O'Leary's unwillingness to settle for "business as usual," and her leadership in results-oriented contract reform and openness to the public, is producing real benefits for taxpayers, and the public at large.

Under Secretary O'Leary's leadership, a DOE and KAISER-HILL team is making real progress at Rocky Flats. Not only is a new form of contract providing incentives (the novel idea of "we don't get paid if we don't produce") for us to aggressively tackle the challenges of Rocky Flats, it has stimulated us to propose for consideration by DOE a bold new approach for completing this project, one which holds out the prospects for saving billions of taxpayer dollars and expeditiously reducing the current threat to 2 million nearby Colorado residents posed by Plutonium at Rocky Flats. The enclosed editorial from the February 11th *Denver Post* speaks volumes about the progress being made under the Secretary's stewardship, in a community where media praise of Rocky Flats is rare, indeed.

Since as President you frequently only hear criticisms and bad news, I wanted to share with you this emerging success story, one which is directly attributable to the leadership of Secretary O'Leary. I also wanted to share with you CH2M HILL's and my total confidence in the ability of Secretary O'Leary to effectively manage the Department of Energy and its vital programs. Despite the slings and arrows of small-minded critics, she is providing vision and leadership, while bringing confidence to the public at large that the nation's nuclear waste problems are at long last being honestly and effectively addressed.

Sincerely yours,

Ralph R. Peterson
President CEO

CH2M HILL COMPANIES, LTD.

6060 S. Willow Drive, Greenwood Village, CO 80111-5142
Mailing address: P.O. Box 22508, Denver, CO 80222-0508

303 771-0900

From Mike Doran

THE PRESIDENT HAS SEEN

3-1-96

To VP/KMcGuire Ego
used reply
Be

JIM DORSKIND:

Please coordinate
the reply.

original
sent to
Dorskina

Rocky Flats cleanup is making progress

11 FEBRUARY 1996

The fact that Rocky Flats workers recently discovered 7.5 pounds of plutonium in the atomic plant's pipes is good news: It means the cleanup is making progress.

When the nuclear bomb trigger factory south of Boulder shut down in 1989, production stopped virtually in midstream. That meant some radioactive materials never were placed in proper storage containers but instead were just left where they were.

That's scary, considering the materials included several pounds of plutonium. It takes only a few ounces of the gray metal to make an atomic bomb, so leaving the plutonium in place created a security hazard, because terrorists would love to get their mitts on the stuff, and a health hazard, because plutonium is extremely toxic if ingested even in small quantities.

For seven years the mothballed bomb factory has remained in that disturbing condition, making Rocky Flats one of metro Denver's most urgent environmental worries.

Now, however, the U.S. Department of Energy and its contractor, Kaiser-Hill, have undertaken a serious cleanup effort — which includes finding the "missing" plutonium. Far from alarming metro Denver residents, the discovery of the 7.5 pounds of radioactive metal should reassure them that the feds are doing more than just talking and writing reports: They've actually started the high-tech sweep up.

Even among past critics of the plant, there's a growing consensus that finding the missing plutonium and putting the stuff in proper containers should be the clean-up's top priority. Contractor Kaiser-Hill has suggested putting the plutonium in special containers, then storing the high-tech barrels in a new, ultra-secure vault, which could be guarded against terrorism and be made impervious to natural damage ranging from rainwater to earthquakes.

The real debate, though, is what happens next.

The quantities and kinds of hazardous materials at the plant would make cleanup difficult in

any event. Besides the plutonium, Rocky Flats also harbors: stockpiles of enriched uranium; tools and machines used to make the bomb triggers that became contaminated by the atomic materials; clothing that protected workers but in the process became soaked with radiation; and industrial wastes such as acids.

The decision on what to do with these other wastes will, in part, also determine how the plutonium is handled and stored.

But the effort is further complicated by the lack of national political consensus on where much of this dangerous stuff will be permanently stored. The feds haven't even decided where they will put the plutonium wastes for the long term, for example.

That's why Colorado must work with the U.S. Department of Energy to come up with an acceptable interim storage plan. Those discussions are well underway, with coordination from Colorado Lt. Gov. Gail Schoettler and the active help and participation of a bipartisan assortment of public officials, including U.S. Reps. David Skaggs, a Democrat from Boulder, and Dan Schaefer, a Republican from Jefferson County.

Engineers are noodling over the details of what constitutes proper storage. But any proposal must be politically acceptable, as well as technically feasible. And it is not simply acceptable, either politically or morally, for the federal government to pretend it can get away with forcing metro Denver to live with all these hazardous wastes permanently.

Thanks to new, enlightened management at Rocky Flats, Colorado appears to be making progress toward cleaning up the defunct nuclear arms plant.

But this effort shouldn't become an excuse for the national government to then shirk its duty to find a permanent solution to the waste-storage conundrum. The people of metro Denver do not want this environmental nightmare to haunt their dreams forever.

THE DENVER POST

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National Edition

Washington and Oregon: Patchy early fog, otherwise mostly sunny. Highs in the 60's west of Cascades, 40's east of Cascades. Weather map and forecasts for other areas, page C10.

1 in Tacoma

ONE DOLLAR

ADVERSARIES BACK THE CURRENT RULES CURBING POLLUTION

BUT FLEXIBILITY IS URGED

Clinton Panel of Activists and Industry to Issue Report — Campaign Use Hinted

By JOHN H. CUSHMAN Jr.

WASHINGTON, Feb. 11 — After a year in which industry and environmental groups have been at war over Republican-led efforts to roll back Federal environmental regulations, a Presidential panel with adversaries from both sides has reached a rare consensus that while the existing system can be improved, it must not be weakened.

Rather than strip away many environmental regulations, as Republicans in Congress tried to do last fall, the panel calls for a new regulatory framework to give businesses more flexibility in preventing pollution — but only if they can perform better than is required under the current system of strict safeguards.

The group included two sides that are more likely to be found in court than at a negotiating table: leading companies in the oil, paper and chemical industries, all of which have supported Republican proposals for regulatory relief, and major environmental organizations that have accused the industries of trying to undo 25 years of progress. It also included members of President Clinton's Cabinet and labor and civil rights groups.

In its final report, the panel, the President's Council on Sustainable Development, also calls for a comprehensive review of taxes and corporate subsidies, aimed at increasing taxes on pollution and consumption in exchange for cutting income taxes.

It urges long-range steps to stabilize the country's population, including more Federal money for family-planning and contraceptive research. And it says the United States, "even in the face of scientific uncertainty," should lead the world in heading off serious or irreparable global trends like climate change.

The report will be issued by the White House in the next few weeks, and in the months ahead it appears destined to serve as the environmental platform for Mr. Clinton's reelection campaign. Members of the council, created by the President in 1993, gave a copy of the report to The New York Times.

For months, Mr. Clinton has been striving to make environmentalism a key issue separating him from the Republicans. The report offers him a coherent environmental credo that

Continued on Page C11, Column 1

Ralph Peterson / comp/dtn

*Probably old news.
Bill Doherty*

WTH

Panel of Adversaries Backs Current Rules on Pollution

Continued From Page A1

is not anchored in the status quo and that draws support not only from liberals but also from businesses.

"Implicitly, this denounces the kind of work that the Congress has been up to for a year," said Kathleen A. McGinty, who heads the White House Council on Environmental Quality and who as Mr. Clinton's top environmental aide worked closely with the President's Council on Sustainable Development.

"The environment is something that brings us together as a nation. It is a deplorable idea to use it to polarize the nation."

The President's council spent three years touring the country and debating how to balance economic growth and environmental protection. Among the members were leaders of environmental organizations like the Natural Resources Defense Council, the Sierra Club and the Environmental Defense Fund, and executives of the Georgia-Pacific Corporation, the Enron Corporation, and the Chevron Corporation.

"The current polarization is just the reason why our agreement is important," wrote the council's co-chairmen, Jonathan Lash, president

and they are likely to take a more moderate approach.

In recent weeks, however, many business leaders have begun advising Republicans in Congress that they should scale back their earlier proposals, if they expect to succeed in providing any regulatory relief to industry.

The President's council shares some of the goals but few of the methods of the Republican approach, which would have changed how existing environmental laws are carried out by imposing elaborate new studies of costs and benefits, and by opening up new opportunities for industry to challenge burdensome rules in court.

Instead, the council called for adding, not stripping away, a layer of environmental protection. The current system of standards, deadlines, permits, and inspections, while it might be modified, would be retained as a kind of safety net. At a higher level of performance, companies would be free to innovate.

To this end, the report endorsed using financial incentives instead of dictates to discourage pollution, and putting more emphasis on results than on how they are obtained. The aim less costly, but not less effective, pollution control — and, wherever possible, preventing pollution rather than spending to clean it up.

"Regulations that specify performance standards based on strong protection of health and the environment — but without mandating the means of compliance — give companies and communities flexibility to find the most cost-effective way to achieve environmental goals," the report said.

"But this flexibility must be coupled with accountability and enforcement to insure that public health and the environment are safeguarded."

It called for giving agencies like the Environmental Protection Agency specific authority to move away from "one size fits all" regulations. But it warned that a proliferation of pilot programs and demonstration projects would drive the agency's budget up, not down, as Congress has tried to do.

did in calling for tough but flexible environmental standards in his State of the Union speech in January. And some of the report's language is unmistakably redolent of the campaign trail.

"Americans want to take back control of their lives," the report proclaims, at once acknowledging and endorsing a shift of environmental power and responsibility away from the government and toward individuals and enterprises.

The report's chapter on regulations is perhaps the most pertinent to the current political debate.

"We didn't start the conversation by asking, 'What are we going to roll back?'" said Mr. Buzzelli of Dow Chemical. "You have to say, 'What do we have that is worth keeping, and what do we really need to do to get better?'"

Mr. Lash of the World Resources Institute added, "There was a strong feeling on the council that if you pull the foundation stones out, it is really hard to go ahead and build a new building."

Republicans in Congress, strongly supported by business groups, tried and failed last year to undo many environmental regulations, provoking an intense struggle with environmentalists and the Clinton Administration. While Republican leaders have promised to try once again to push through changes this year, the momentum is going against them.

important for having steered the detailed prescriptions for new rules, new legislation, or new programs. Instead, they said the council chose to cite ground-breaking programs that are already getting results, often without much publicity.

The "most important finding the council, the report said, is new approaches can work only if they are based on collaboration and consensus."

That has been a consistent refrain of the Clinton Administration along, but one that has not always worked as hoped. In disputes over issues like forestry and automobile efficiency, some of the Administration's previous efforts at building consensus were disappointing.

The early arguments over whether growth was good or bad finally were answered in the very first word of the statement of beliefs that all members finally endorsed:

"To achieve our vision of sustainable development, some things must grow — jobs, productivity, wages, capital and savings, profits, information, knowledge and education — others — pollution, waste and poverty — must not."

That formulation, obvious as might seem, drove the group toward a central conclusion: that efficient profit and environmental protection are all linked. "Pollution is waste is inefficient, and inefficient is expensive," they summed up.

Proposing more flexibility in preventing pollution.

of the World Resources Institute, and David T. Buzzelli, vice president of the Dow Chemical Corporation.

At the outset, council members could not even agree on the basic issue of whether economic growth in itself was a good thing, they recalled.

The report binds no one and the recommendations are often vaguely couched, but these weaknesses may be offset by the political power of a joint statement from such an unlikely coalition.

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FROM: Washington Post

Wednesday, February 14th, 1996

WH

Regulators Urged to Alter Approach to Pollution

Panel Says Government Should Prescribe Targets, Not Means, for Clean Environment

By Gary Lee

Washington Post Staff Writer

Federal and state regulatory agencies should allow industry greater flexibility in combating pollution but should not weaken the existing system of environmental statutes, advises a presidential panel of corporate and environmental leaders who conducted a three-year study.

The panel, appointed by President Clinton and charged with charting a course for the United States to achieve long-term economic growth while preserving the nation's natural resources, made a series of recommendations, including the possible introduction of new pollution taxes and other suggestions for more cost-effective ways to protect the environment.

Panel members said their 188-page report, scheduled to be released to the public early next month, is likely to be used as a blueprint for Clinton's environmental program during the upcoming presidential campaign. A member of the 23-person panel, the President's Council on Sustainable Develop-

ment, gave a copy of the report to The Washington Post.

The federal and state systems of environmental regulations, which have been under attack by GOP lawmakers during the past year, received praise in the report. There is no doubt that some regulations have encouraged innovation and compliance with environmental laws, resulting in substantial improvements in the protection of public health and the environment, the report said. But, it added, "at other times regulation has imposed unnecessary and sometimes costly administrative and technological burdens."

To remedy the problem, environmental regulations should emphasize the performance targets that industries should aim for rather than prescribing the means they should use to achieve the goals, the report said. The performance targets should be based on national standards designed to protect ecosystems and public health, it said.

The report pointed to Project XL, a pilot program established in 1995 by Clinton to allow six companies to devise innovative ways to fight pollution, as a model for achieving bet-

ter, more cost-effective environmental protection in the future.

The report also recommended that the government encourage industry to introduce more products that help prevent pollution and preserve natural resources, such as plastic soda bottles that can be recycled to make clothing and other products. It said a Product Responsibility Panel, consisting of business and public interest leaders, should be established to explore ways to bring more such environmentally friendly products into the market.

The report stressed that any changes should be made within the existing system of federal and state anti-pollution laws. "Environmental regulations have improved and must continue to improve the lives of all Americans," it said. "Basic standards of performance that are clear, fair and consistently enforced remain necessary to protect that progress." While industry should be allowed to show that it is complying with environmental laws, the government should retain its role of overseeing compliance, the report said.

"The nation should pursue two paths in reforming environmental regulation," the report concluded.

"The first is to improve the efficiency and effectiveness of the current environmental management system. The second is to develop and test innovative approaches and create a new alternative environmental management system that achieves more protection at a lower cost."

The panel, appointed in May 1993, consisted of a diverse group of specialists, including several members of Clinton's Cabinet and leaders of the Sierra Club, the Environmental Defense Fund, Chevron Corp. and Georgia Pacific Corp. The co-chairs are David T. Buzzelli, vice president of DuPont Chemical Co., and Jonathan Lash, president of the World Resources Institute, an environmental research organization.

The report endorsed a number of new programs designed to encourage greater cooperation between industry and government in combating pollution. One example is the Common Sense Initiative, introduced two years ago by Environmental Protection Agency Administrator Carol M. Browner to allow members of industry and environmental groups to explore ways to improve the current regulatory regime.

STARTS TODAY, WEDNESDAY



ENVIRONMENT REPORTER

Current
Developments

A weekly review of pollution control and related environmental management problems

Volume 26, Number 40

THE BUREAU OF NATIONAL AFFAIRS, INC.

February 16, 1996

HIGHLIGHTS

A POTENTIAL TO EMIT RULE will have as its top priority an effective regulatory scheme that provides clear guidance to states and the regulated community on a source's potential to generate air pollution, according to an Environmental Protection Agency issue paper (p. 1987).

A MODEL TRADING RULE drafted by a pair of organizations representing air regulators in the Northeast will enhance trading of nitrogen oxide emissions among sources in the Ozone Transport Region, helping the region achieve significant reductions of the pollutant, an official with one of the groups says (p. 1987).

LANDFILL AIR REGULATIONS that will establish performance standards for new landfills and emissions guidelines for existing ones are ready to be made final five years after being proposed. The rule will affect about 40 new municipal landfills and 312 existing ones (p. 1988).

A DRINKING WATER BILL is being drafted by House Commerce Committee staff members, in the hope that a bill can be ready for consideration by March and through committee by early summer, a water industry source says (p. 1991).

A HAZARDOUS WASTE RULE requiring treatment under the Resource Conservation and Recovery Act of decharacterized waste destined for disposal in units regulated under other laws must be issued by EPA after the Senate fails to enact legislation that would have relieved the agency of a court-ordered obligation (p. 1994).

BROWNFIELDS LEGISLATION to spur redevelopment of contaminated, abandoned industrial properties should be pursued separately from GOP superfund reform legislation, several House Democrats assert (p. 2001).

→ **ENVIRONMENTAL RULE-MAKING** should be achieved through approaches that allow industry greater flexibility while ensuring that environmental goals are realized, a presidential advisory group says in a draft report (p. 1992).

'ADEQUATE' EPA FUNDING is a priority of the Democrats in upcoming congressional debate on the agency's budget, party leaders announce at a press conference (p. 1991).

MITIGATION MEASURES increasingly are being used by federal agencies to lessen the environmental effects of their planned projects, allowing them to avoid preparing complicated environmental impact statements, a Department of Justice attorney tells a seminar (p. 1995).

CONTAINMENT TECHNOLOGIES should be considered by the Energy Department for the long-term storage of radioactive tank wastes at its Hanford site, according to a report by the National Academy of Sciences (p. 1999).

CALIFORNIA AND AUTOMAKERS reach an agreement that will put more than 800,000 electric vehicles on state roads by 2010 and bring the state's strict low emission vehicle standards to all states by 2001 (p. 1997).

THE OZONE LAYER of the atmosphere will be the most vulnerable to changes in climate and to volcanic eruptions over the next 10 years as the amount of chlorine and bromine in the stratosphere from chemicals such as chlorofluorocarbons and halons peaks and levels off, scientists say at a meeting in Baltimore (p. 1990).

↘ **ENVIRONMENTAL TECHNOLOGY** is seen as essential to making industrial processes and regulatory compliance more cost-effective, and major efforts will be made in 1996 to remove barriers to its development and use, industry and government officials say (p. 2009).

This week's supplement to Environment Reporter reference file binders includes changes to the Clean Air Act and Oil Pollution Act of 1990, amendments to EPA's National Oil and Hazardous Substances Pollution Contingency Plan Under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, and revisions to the agency's regulations on clean fuel vehicles.



General Policy

REMOVING REGULATORY, INSTITUTIONAL BARRIERS TO INNOVATIONS SEEN AS MAJOR 1996 POLICY GOAL

A major focus of environmental technology policy in 1996 will be to address regulatory and other institutional barriers to the development and use of cost-effective innovations.

Reducing these barriers is seen as essential to making industrial processes and regulatory compliance more cost-effective, making cleanup of federal facilities more fiscally and technically feasible, and to finding alternatives to controversial technologies such as incineration.

Internationally, various policy issues pose barriers to the ability of U.S. companies to win international markets and maintain growth and international leadership.

Ralph R. Peterson, chief executive officer of CH2M Hill Companies Ltd., said regulatory reform and environmental technology are "two sides of the same coin." CH2M Hill, Denver, is one of the nation's largest environmental engineering firms.

Putting Technology in Context

Government and business representatives have organized a White House conference, to be held in late March in Washington, D.C., to place technology issues in the broader context of regulatory reform, Peterson said.

At the conference, industry and government will assess the Clinton administration's initiative to "reinvent"—that is, reform and streamline—environmental regulation and elements of the national environmental technology strategy, Peterson said.

David Rejeski, spokesman for the White House Office of Science and Technology Policy, said such a conference could provide feedback necessary for updating the administration's National Environmental Technology Strategy.

Regulatory reform, Peterson said, is moving environmental regulation away from command-and-control approaches and toward market-influenced mechanisms for environmental compliance.

Advantages Of Market Mechanisms

Market mechanisms or financial methods for fostering environmental accountability through impacts on corporate balance sheets and stock prices might provide companies more stable, clearer compliance targets and give companies greater incentives for environmental compliance, according to Peterson.

That creates more stable demand for environmental technology, which in turn creates a willingness of investors to back technology companies, Peterson said. This is good for technology providers and innovators, he said.

Technology demand driven purely by regulations is unstable because rules always are "in the state of flux," Peterson added. Companies would like to see a regulatory process that stabilizes the way [technology] demand is driven, he said.

The issue is not about whether to have strict environmental standards but about the need for greater flexibility in "how the regulatory approach is framed," Peterson said.

The industry-government conference is intended to serve as "continued steps" toward crystallizing emerging regulatory reform ideas and to make "abundantly clear" that industry and government need to work together, he said.

Walter S. Howes, president of EBI Capital Group, LLP, Washington, D.C., said, "Very high on the conference agenda is creating an industry-based coalition to help facilitate a bipartisan approach toward the more efficient integration of commercial practice and utilization of environmental technologies." EBI is a merchant banking partnership specializing in financing environmental businesses.

Inflexibility Seen As Major Barrier

A July 1995 survey by the Environmental Law Institute of permit writers, technology developers, purchasers, and users identified regulatory inflexibility, in particular, technology-based standards, as the major barrier to innovative technology.

According to Rejeski, the financial community believes the key to promoting innovative technology is a performance- and management-based system for environmental protection.

Byron Swift, director of the Environmental Law Institute Technology Center, said 1996 will see some major programs get under way that embody a performance-based approach to compliance. The administration's Project XL and the open-market air emissions trading rule slated for release in the spring are examples of the regulatory flexibility needed to promote innovative technology, he said.

Project XL, a part of the initiative to reform the environmental regulatory process, provides companies regulatory flexibility in return for their cleaning up pollution beyond required levels. It encourages companies to test innovative processes, technologies, or management practices, particularly for pollution prevention. The program approved an initial set of applicants in December.

The emissions trading rule under the Clean Air Act should promote competition among alternative technologies and methods by giving companies both incentives and flexibility to use such technologies and processes, Swift said.

ETI Remains Agency Priority

David M. Gardiner, EPA assistant administrator for policy, planning, and evaluation, said the agency's Environmental Technology Initiative continues to be "one of the administration's major environmental priorities" to dissolve barriers to innovative technologies.

The initiative, however, has faced deep cuts and possible elimination in the ongoing fiscal 1996 budget dispute that remains unresolved. Members of Congress have attacked the initiative, saying it did not support "good environmental science" for resolving environmental concerns.

Meanwhile, EPA may release in 1996 a package of modest policy changes to address specific barriers to innovative technology despite the budget situation, Gardner said.

The budget cuts, however, undermine the aggressive enforcement program policy, which drives development of the technology in the first place, he said.

Improving Federal Permitting System

Lance R. Miller, director of EPA's Permit Improvement Team, said another agency effort expected in 1996 is finalization of EPA's draft recommendations on how to make the federal permitting system more efficient and flexible. Once finalized, the recommendations will be adopted as federal policy, which is expected this summer, he said.

The draft recommendations, subject to review by the Common Sense Initiative Council, will encourage the use of innovative technologies, Miller said.

Because state permitting programs have to be at least as stringent as federal requirements, federal flexibility will trigger more flexibility in state programs, where most permits are issued, according to Miller.

The draft report recommends performance-based standards, provides for a phase-in period for new technologies to cushion against enforcement penalties, and proposes an exemption from technical review requirements when third-party verification is available, Miller said.

Interagency initiatives to establish demonstration and verification programs that can facilitate permitting of new technologies also will be unveiled in 1996, officials said.

An administration pilot program, the Rapid Commercialization Initiative, will seek to find demonstration sites for small developers and address verification and permitting barriers to commercialization. Near-commercial technologies selected for assistance are expected to be announced at the end of February.

Partners in the initiative include the Commerce, Defense, and Energy departments, EPA, the Southern States Energy Board, and the Western Governors' Association.

Verifying Innovative Technologies

Another administration initiative to address barriers is an EPA pilot program to verify the performance of innovative technologies. The program will be testing site-characterization and monitoring devices, small-package drinking water systems, and pollution prevention and waste treatment technologies. The program also will be testing the option of a solely private-sector approach to verification.

Penelope M. Hansen, coordinator of the program with EPA's Office of Research and Development, said the verification testing is intended to produce high-quality verification reports to be sent to state regulators to facilitate the permitting process.

Cleanup problems posed by federal facilities, particularly those of the Energy Department, make the removal of barriers to cost-effective technologies all the more critical, some officials said. (See related article in this issue.)

In an October 1995 report, the White House Federal Facilities Policy Group estimated the cost of the DOE cleanup at \$200 billion to \$350 billion over the next 30 to 75 years.

The policy group cited DOE findings that new technologies could save between \$10 billion and \$80 billion in cleanup costs. But environmental cleanup is limited by existing technology and regulatory barriers and resistance to adopting new technology, the policy group report said.

DOE Pilot Project To Resolve Barriers

Clyde W. Frank, deputy assistant energy secretary for technology development, said DOE will start a pilot project in 1996 that seeks mechanisms to resolve those barriers.

Such barriers include the determination of how much demonstration is required before implementing technologies, different requirements posed by different states, and procurement, liability, and public perception issues, Frank said.

An August 1994 General Accounting Office report on management changes needed at DOE to expand use of innovative cleanup technologies, concluded, "Although the Energy Department has spent a substantial amount to develop waste cleanup technology, little new technology finds its way into the agency's cleanup actions."

According to Edgar Berkey, chair of the Technology Development and Transfer Committee of DOE's Energy Management Advisory Board, the pilot "barrier buster" project is intended to symbolize that technologies for DOE sites can go from demonstration to utilization.

The barrier-buster team will focus on overcoming barriers for a select set of technologies, according to Berkey, who is also president of the National Environmental Technology Applications Center, Pittsburgh, which facilitates technology transfer.

Meanwhile, Congress is examining the effects a superfund reform bill may have on innovative technologies and how to address regulatory barriers to more cost-effective technologies. A "new superfund structure" would in general offer more flexibility, including performance-based standards, a congressional aide said.

Regional Markets, Interstate Cooperation

In 1996, there will be continued regional efforts to transform hundreds of permitting jurisdictions into regional markets with more uniform technology testing requirements, officials said. This uniformity reduces risk and uncertainty for technology developers and financiers and fosters the capital formation needed for technology commercialization, they said.

Rick V. Tomlinson, chief of the California Environmental Protection Agency Office of Environmental Technology, said the state will expand the scope of its interstate work beyond hazardous waste remediation technologies to technologies for all media.

California has agreements with Illinois, Massachusetts, and New Jersey to develop technology testing protocols and exchange demonstration and verification data.

Tomlinson said the decision to go beyond remediation technologies was based on the "tremendous results" of a Western states initiative to foster interstate cooperation on the regulation of remediation technologies.

Also, California's pilot certification program to verify performance claims for air pollution control equipment will go into full-scale operation in the upcoming year, Tomlinson said. The program is intended to facilitate the permitting process in all 34 air quality management districts in California.

The California Legislature is considering a bill to expand the state technology certification program to water technologies, Tomlinson said.

The Committee to Develop On-Site Innovative Technologies, a federal advisory group created to expedite the cleanup of Western federal waste sites and advance development of more efficient cleanup technologies, probably will

recommend increased interstate regulatory cooperation efforts, according to Christopher McKinnon, a Western Governors' Association official and coordinator for the project.

Membership of the committee's interstate technology and regulatory cooperation working group comprises 25 states, including Southern and Eastern states as well, McKinnon said. The working group is developing a framework for interstate cooperation for regulation of hazardous waste remediation technologies.

The committee's final recommendations in June on proposed changes to state and federal policy to promote innovative remediation technologies are expected to address other technology barrier issues regarding the federal procurement process and involvement of interested parties in all phases of technology development, McKinnon said.

Technology Exports

Although the demand for environmental technologies and services is growing in developing countries, the U.S. share of those markets is lagging, according to a recent report by Environmental Business International Inc.

Industry contends that better federal policies—addressing, for example, business development and finance needs of the industry—are needed, particularly by small to medium-size companies to compete with foreign competitors, who receive more active support from their governments.

To address these concerns, the Environmental Technologies Trade Advisory Committee will submit recommendations to Commerce Secretary Ron Brown in April, identifying priorities for an export strategy. The committee was established by the Commerce Department to ensure that the administration's export programs are responsive to the needs of the environmental technologies industry.

The international marketplace demands both innovative, low-cost technologies and the mature "tried and true" technologies, according to Bryan G. Redd, a member of the advisory committee.

But a "surge of government promotion" is needed so the opportunity for the U.S. environmental technology and services industry to maintain its leadership in international markets is not lost in the next few years, Redd said.

Strong Partnership Needed

Raymond E. Vickery, assistant commerce secretary for trade development, said it takes a strong public-private partnership to win foreign markets. Projects do not go forward unless government is involved because foreign government officials want to deal with other governments, he said.

But the federal budget impasse has been a "great setback" to the department's efforts to promote environmental technology exports, Vickery said.

Provided an appropriations bill is passed, the Commerce Department intends in 1996 to focus on developing inter-agency teams for the 10 top emerging markets to provide U.S. companies with market intelligence, Vickery said.

The department also intends to participate in international forums to encourage the incorporation into trade policies of market-driven mechanisms for environmental improvements, he said.

Another major objective will be to develop industry classification codes for the environmental industry with international organizations and EPA, according to Vickery.

Research And Development

In 1986, there will be efforts to develop a more coordinated, cost-effective environmental research and development strategy, officials said.

Federal funding for environmental research and development dropped from \$4.2 billion in fiscal 1995 to about \$3.65

billion for fiscal 1996, according to Peter D. Saundry, executive director for the Committee for the National Institute for the Environment.

Technology programs under EPA and the Energy Department took "big hits," he said.

While support for science is bipartisan, Saundry said, the underlying philosophies of the Democratic and Republican parties with respect to technology development are quite different. While Democrats are "disposed to technology," Republicans want to see government out of technology programs and prefer to fund basic research, he said.

A bill sponsored by Rep. Jim Saxton (R-NJ) would establish a nonregulatory science institute for environmental research and development (HR 2827).

Saundry said nonregulatory agencies such as the National Science Foundation generally are less subject to political conflict and have done relatively well in funding.

No Technology Hardware Development

The proposed institute would not support the development of technology "hardware" but would serve as a catalyst for technology development through information and assessment services, Saundry said.

Meanwhile, Rejeski said the administration is examining how federal research and development funds for environmental and technology issues can be more effectively allocated and also leveraged through public-private partnerships.

The office will look at where the major corporations do and do not invest their environmental research and development funds. The effort will seek to identify areas where government can avoid duplicating research and important areas not receiving private investment, but where government can provide leadership, Rejeski said.

Also examined will be opportunities for public private partnerships where there can be "high leverage off of private sector money," he said.

The study will seek to determine from what sources small environmental technology firms get their ideas for innovation in order to understand the impact of federal research and development cuts.

— By Jennifer L. Kalms

Underground Tanks

ALTERNATIVE TECHNOLOGIES PROLIFERATE IN PAST FEW YEARS AT LEAK SITES, EPA SAYS

Use of alternative or innovative technologies to clean up petroleum leaks from underground tanks has increased about fifteenfold since 1993, an EPA official said Feb. 6.

Debby Tremblay, leader of the Corrective Action Technology Team of EPA's Office of Underground Storage Tanks, said new cleanup technology was being used at more than 30,000 sites in 1995 compared to 2,000 sites in 1993.

According to EPA, use of the traditional cleanup method known as pump-and-treat for ground water remediation has decreased in most states, while use of land-filling, a traditional method for soil remediation, also has decreased in a majority of states.

Use of technologies such as natural attenuation, biopiles, and soil vapor extraction were the most commonly selected alternative options for soil remediation, according to Tremblay.

Natural attenuation relies on naturally occurring microorganisms to remove biodegradable contaminants without added oxygen or nutrients. Biopiles are excavated mounds of soils remediated with aerobic microbial activity. The soil vapor extraction method applies a pump to soil to extract vapors, which are treated and discharged above ground.

The most commonly selected alternative technologies for ground water remediation are natural attenuation, air sparging, and in-situ bioremediation, Tremblay said.

Air sparging is a technique in which air is injected into water to transfer hydrocarbons from the water into air, which is then treated. In-situ bioremediation uses microorganisms to biodegrade contaminants.

Alternatives to land-filling and pump-and-treat cleanup, Tremblay said, are "so attractive" because when used appropriately they are generally more cost-effective.

In a related trend, EPA released a report in October 1995 that indicated innovative technologies had been selected more frequently than established treatment technologies for cleaning up contaminated solids at superfund sites during fiscal 1990 and fiscal 1994 (26 ER 1166).

'Concerted Effort' To Reach Out

In the past few years, EPA has made a "concerted effort" to reach out to cleanup consultants, contractors, and owners and operators to employ new technology, Tremblay said. And as alternative technologies come into use, state regulators become increasingly more open to them, she said.

EPA oversees the overall cleanup program for leaking storage tanks under the Resource Conservation and Recovery Act, but many states have been given responsibility for the program within their borders.

Thus, in the states there is not uniform acceptance of alternative technologies, Tremblay said. Some state policies prohibit certain technologies such as "land farming," a process of aeration and treatment, and natural attenuation of petroleum in ground water, she said.

Other technologies such as biopiles, low-temperature thermal desorption, and dual phase extraction face permit obstacles in various states, she said.

Further alternative technologies, though often more effective, often take longer to complete, Tremblay said.

To further encourage use of new technology, EPA has made available various resources on such technologies, including a manual, *How to Evaluate Alternative Cleanup Technologies for Underground Storage Tank Sites: A Guide For Corrective Action Plan Reviewers*, software to assess remediation technologies called *Vendor Information System for Innovative Treatment Technologies (VISITT)*, and *HyperVentilate*, software for determining the appropriateness of vapor extraction for a specific leak site.

More information about those resources is available from EPA's RCRA/Superfund Hotline at (800) 424-9346.

General Policy

WHITE HOUSE CITES ECONOMIC IMPORTANCE OF ENVIRONMENTAL INDUSTRY IN LETTER TO CONGRESS

The President's science adviser sent members of Congress a letter that cited the economic significance of the environmental technology industry, an administration official said Jan. 29.

The letter, dated Jan. 24, also expressed the administration's desire to work with Congress to maintain U.S. leadership in the environmental technology sector.

David Rejeski, an official with the environment division of the White House Office of Science and Technology Policy, said the White House sent the letter and an administration strategy document for promoting environmental technology to House members and intends to send those materials to Senate members by the first of February. Rejeski described the mailing at a working group meeting on environmental technology.

John H. Gibbons, assistant to the president for science and technology, wrote, "More than 1 million Americans are presently employed by more than 50,000 businesses in this high wage, high-skilled industry. The industry is expected to create an additional 180,000 jobs over the next four years, a rate double that of the economy as a whole."

The mailing came as funding for various federal environmental technology programs has been cut or eliminated in the appropriations process (26 ER 952, 26 ER 1601).

"Our key trade competitors, Germany and Japan, recognize environmental technology as a key industry and are positioning themselves to compete aggressively in the \$40 billion global market for environmental goods and services," Gibbons added.

A number of U.S. environmental firms have cited a lack of government support in terms of business development, finance, and trade policies that are needed, they say, to counteract the government assistance that foreign competitors are getting in those areas.

"Over the coming months," Gibbons said, "I hope we can work together to deliver the programs and policies required to maintain U.S. leadership in this critical industry sector."

The mailing to congressional members included *Bridge to a Sustainable Future: The National Environmental Technology Strategy*, which outlines the administration's policies and programs for environmental technologies. It also included working papers of the White House Conference on Environmental Technology, held in December 1994, and compact disk, in read-only memory form, detailing federal programs in the environmental technology area (26 ER 953).

Hazardous Waste

MICHIGAN RESEARCHERS STUDY USE OF PLANTS TO NEUTRALIZE CONTAMINANTS AT BROWNFIELDS

DETROIT—University of Michigan researchers are experimenting with green plants that would draw heavy metal from abandoned industrial sites known as brownfields.

Researchers are hopeful the process, called phytoremediation, could help accomplish what other techniques have not done cost effectively. Current techniques for cleaning brown fields involve scraping and removing polluted soil. One method calls for dumping soil in hazardous waste landfills, while another calls for "washing" the soil with solvents before returning it to a site. Both methods are expensive.

Detroit has about 2,500 brownfields with heavy metals such as lead, mercury, copper, cadmium and chromium.

University researchers Kent Murray and John Thomas believe they can design plants to leach out heavy metals and other contaminants. An experiment last summer at the university's Dearborn campus focused on retrieving copper from soil.

The scientists have implanted genes from yeast into tobacco plants and the mouse-eared cress. Their findings conclude that plants can draw copper from the surrounding soil and store the metal throughout the plant. Plants later can be destroyed or removed and treated to retrieve the copper.

Phytoremediation is not as expensive, the researchers said because disposal of large quantities of brownfield soil is no required.

Researchers are seeking \$1 million in grants to continue and expand their experiment. Actual cost of brownfield cleanup would vary according to the size of the site and extent of contamination.

For more information on the study, contact Terry Ghaliblah at the University of Michigan, Dearborn Campus, 108 Administration Building, 4901 Evergreen Road, Dearborn Mich. 48128.

ment that EPA regulate 25 contaminants every three years, and substantially revise the standard-setting process for contaminants.

They also would provide EPA with more flexibility to make future maximum contaminant level standards less stringent when benefits do not justify costs.

The subcommittee held a general overview hearing on SDWA reauthorization Jan. 31 in which various agencies and groups stated their priorities for the legislation (26 ER 1865).

The National Governors' Association is gathering signatures urging the House to move quickly on a reauthorization bill similar to the one passed by the Senate (26 ER 1864).

Regulation Of Sulfate

Meanwhile, Rep. Tim Johnson (D-SD) introduced narrow drinking water legislation Dec. 12 that would put new requirements on EPA as it attempts to regulate sulfate.

The bill (HR 2762) would require EPA to jointly conduct research with the Centers for Disease Control on the health effects of sulfate before writing a rule on it. The research must be conducted in consultation with interested states and be completed not later than 30 months after enactment.

EPA proposed a rule for sulfate Dec. 5, 1994, but has not published a final rule yet (26 ER 1549). The rule would require areas with high levels of sulfate to either treat drinking water or supply bottled water for infants and travelers.

Work on the rule was stopped until EPA's fiscal 1996 budget is finalized.

According to an aide to Johnson, the rule would affect more than 110 communities in South Dakota at a cost of nearly \$70 million.

"The regulations proposed by the EPA regarding the level of sulfates in our drinking water is unnecessary, excessively costly, and in the end, does little to improve the quality of our drinking water or the economic stability of our communities," Johnson said.

The proposed rule is based on information gathered during the 1950s and 1960s, Johnson said. "Before imposing this type of costly, minimal-benefit regulation, we should, at the very least, base such regulations on the best possible science. That means using updated, accurate information."

The bill passed by the Senate contains similar language.

The legislation was referred to the Commerce Subcommittee on Health and Environment.

Funds For Infrastructure

Another narrowly drawn bill (HR 2747) would establish a three-year \$2.25 billion account for drinking water upgrades within the existing state revolving loan program under the Clean Water Act (26 ER 1368).

The bipartisan measure, introduced Dec. 7, is sponsored by Reps. Bud Shuster (R-Pa.), Sherwood Boehlert (R-NY), James Oberstar (D-Minn.), and Robert Borski (D-Pa.). Shuster is chairman of the House Committee on Transportation and Infrastructure.

The Subcommittee on Water Resources and Environment held a hearing on the measure Jan. 31, and the committee hopes to schedule a markup soon, a staffer said.

The aide said he expected the bill eventually would be rolled into the more comprehensive Commerce Committee SDWA bill. But "infrastructure and ground water source protection is quite rightly our jurisdiction," the aide said.

GENERAL POLICY

General Policy

PANEL SEEKS MIXTURE OF FLEXIBILITY, ACCOUNTABILITY IN ENVIRONMENTAL REFORM

Reform of environmental regulations should be achieved through a variety of approaches that allow industry greater flexibility while ensuring that the nation's environmental goals are realized, a presidential advisory group said in a draft report Feb. 12.

The draft report of the President's Council on Sustainable Development contains 10 goals along with indicators of progress toward those goals. The council, consisting of representatives from industry, environmental groups, labor, and citizen groups, has been meeting since mid-1993.

The goals outlined in the report are protection of health and the environment, economic prosperity, equity, conservation of nature, stewardship, sustainable communities, civic engagement, population, international responsibility, and education.

Among the policy recommendations made in the report is a call for a shift in the tax structure to allow for the increased use of pollution taxes and a review of the current subsidy system.

While recognizing many benefits of the regulatory system that has been in place for 25 years, the report said the regulatory structure also has had a costly and burdensome impact on U.S. industry in many cases.

"Such concerns have contributed to a growing consensus that the existing regulatory system may be greatly improved by moving toward performance-based policies that encourage pollution prevention," the report said.

A performance-based regulatory structure provides industry with greater flexibility that may allow companies to pursue innovative approaches "that will result in superior environmental protection at far lower costs," the report said.

Rewards, Consequences Of Reform

The council said regulators should not rely on only one approach. For example, along with flexibility must come accountability to ensure that goals of achieving and maintaining a healthy environment are realized. It also warned that moving away from a "one-size-fits-all approach" may increase the "administrative costs and policy burdens on federal agencies, at least in the short term."

The council emphasized the importance of balancing economic prosperity, environmental protection, and social equity, saying the "achievement of any one goal is not enough to ensure that future generations will have at least the same opportunities to live and prosper that this generation enjoys."

Greater reliance on partnerships among government bodies also was a recurrent theme of the report.

The report also called for a voluntary system for "product responsibility" in which "designers, producers, suppliers, us-

Pres. Council
on Sustainable Development
↓

ers, and disposers accept responsibility for environmental effects through all phases of a product's life."

Copies of the draft may be obtained from BNA PLUS for a charge; telephone (800) 452-7773 toll free or (202) 452-4323 in the Washington, D.C., area.

General Policy

COST-EFFECTIVENESS TEST TO BE RECOMMENDED BY RISK COMMISSION FOR ENVIRONMENTAL RULES

BALTIMORE—Proposed environmental rules should be scrutinized for cost effectiveness rather than subjected to cost-benefit analysis, the head of a federal commission said Feb. 11.

According to Gilbert Omenn, chairman of the Commission on Risk Assessment and Risk Management, cost-effectiveness analysis focuses on determining which policy option achieves an environmental goal for the lowest cost, while cost-benefit analysis requires that a monetary value be assigned to ecological benefits.

Rather than trying to place a dollar value on benefits so that costs and benefits can be compared, the commission endorses use of cost-effectiveness analysis, Omenn told the annual meeting of the American Association for the Advancement of Science.

In addition, the commission believes analysts must examine the distribution of the cost and benefits, determining who would bear the costs of the proposed regulation and who would benefit, he said.

Don Ritter, chairman of the National Environmental Policy Institute, told the meeting that reductions in risk are the only benefits generally taken into account in economic analysis of proposed environmental regulations. But other types of economic benefits also can accrue from environmental regulations, he said.

For instance, tighter water quality standards might make land adjacent to rivers flowing through inner cities more attractive for economic development. These benefits should also be factored into regulatory analysis, Ritter said.

Regulatory Reform

Omenn said the commission is recommending that lawmakers should not write overly prescriptive language on risk assessment, peer review, comparative risk assessment, and cost-benefit analysis as Congress crafts regulatory reform legislation. The commission also has agreed that legal challenges to environmental regulations should be allowed only after a final rule is issued and focus solely on whether EPA was arbitrary and capricious in rule-making.

The commission, which was established by the Clean Air Act Amendments of 1990, believes that environmental policy options should be broadened to include alternatives to traditional command-and-control regulation, Omenn said. These would include performance-based standards, he said.

Omenn said environmental policies should include evaluations after rules are implemented to determine whether the rules are meeting the environmental goals sought by decision-makers.

The commission, which is expected to issue a draft report in March, wants agencies that regulate environment, health, and safety risks to draw "bright lines" that state clearly what is dangerous and what is not, Omenn said. These statements might specify that what is being regulated poses a danger to a subpopulation such as workers, pregnant women, or children, he said.

Meanwhile, the commission will recommend that certain tumors that laboratory animals develop when exposed to

chemicals in tests are not applicable in risk assessment humans, he said. This type of recommendation could lead support for EPA to reduce risk estimates that had been based on similar findings.

In addition, the commission's upcoming report will state that ecological risk assessments are not adjunct to assessments of risks to human health, Omenn said. An explicit ecological finding should be the basis for an ecological risk assessment, Omenn said.

General Policy

CLINTON'S VIEWS ON ENVIRONMENT STRONGER THAN THOSE OF REPUBLICANS, GROUP REPORTS

President Clinton has staked out stronger pro-environment positions than the major Republican presidential contenders, a New Hampshire group formed in 1991 to publicize environmental views of national candidates said Feb. 7.

The Energy America Education Fund asked Clinton and nine contenders for the Republican nomination for the views on 16 energy and environmental issues. Responses were split substantially along party lines.

Steve Forbes, the subject of substantial media coverage, recently, offered no position on many issues, saying often that he was "undecided pending further study."

Pat Buchanan, who beat Sen. Phil Gramm (R-Texas) in the Feb. 6 Louisiana primary and finished second to Sen. Robert Dole (R-Kan) in the Iowa caucuses Feb. 12, also did not respond to a number of questions.

On regulatory reform, Clinton joined Republicans in calling for some form of cost-benefit tests for new and existing regulations, but also said "the administration cannot support a risk assessment or cost-benefit scheme that would cause undue delay or litigation or would roll back health, safety, and environmental protection."

Clinton, Dole, Forbes, Sen. Richard Lugar (R-Ind), Buchanan, and Gramm received questionnaires along with Rep. Robert Dornan (R-Calif.), businessman Morry Taylor, former Tennessee Gov. Lamar Alexander, and media commentator Alan Keyes.

Forbes and Buchanan failed to offer opinions on five issues. Both were noncommittal on high-level nuclear waste storage, low-level nuclear waste storage, and the Low Income Home Energy Assistance Program. Forbes also offered no position on the issues of budget cuts at the Environmental Protection Agency and the mining of federal lands, while Buchanan was silent on the Public Utility Holding Company Act and energy efficiency standards for buildings and appliances.

ESA, Takings, Other Issues

Clinton called for minor reform of the Endangered Species Act, while Republicans except for Lugar were harsher. Dole called the law "a divisive and costly mechanism," while Lugar simply said the scope of the act "needs clarification." Lugar and Clinton were the only two to support strict enforcement of the law.

Lugar and Clinton also came together on the issue of federal "takings" legislation, or the requirement that land owners be paid for reduced property values resulting from environmental regulations. Both candidates deferred to the U.S. Constitution on the issue, which prohibits government takings of private property without compensation. Forbes and the others support such legislation.

Clinton was the only candidate against oil drilling or exploration in the Arctic National Wildlife Refuge in Alaska. Lugar was the only Republican to call for the protection of wildlife during oil-related activities.

Jessica Mathews

Business Goes Green

One thing was overwhelmingly clear at last week's gathering of the world's business and industrial leaders at the World Economic Forum in Davos, Switzerland. The decline and growing public support for environmental protection that the Republican Party has misjudged so drastically in this country is a global, not an American, phenomenon.

One after another, CEOs named improved environmental performance among the three or four central thrusts shaping their companies' global strategies. Public environmental concerns, they asserted, are as strong in low-income countries as they are in the United States and other developed nations.

Hearing these volunteered comments confirmed my impression that by far the biggest changes, the most environmental progress, in the 3½ years since the Rio Summit, have taken place in industry. Companies recognize that environmental issues are here to stay and have learned that most operations can be greened at small cost or substantial profit.

Internal reorganizations have put chief environmental officers among top management and pulled environmental costs out from general overhead and into separate accounts where they can be tracked and reduced. Cutting-edge firms have replaced lawyers fighting rear-guard actions against government regulation with engineers working on product redesign and companies' own initiatives. Partnerships with environmentalists have sprung up to replace the trench warfare of legislation-regulation litigation with joint ventures and negotiated compromise.

The new attitudes are not uniform. There are plenty of environmental wolves draped in the best sheep's clothing their advertising budgets can buy.

Trade associations, which are both stronger and more retrograde than individual companies, almost without exception represent the lowest common denominator in an industry. Even within a single company, it is not unusual to find a CEO urging con-

structive reform while his lawyers work to drill a loophole through some environmental law.

On balance, although progress in industry has been striking, improvements on the ground have been modest at best. Governments, which one would expect to be far better tuned to public opinion than business, have accomplished little since Rio. Even in the extreme cases where business and environmentalists have broken through years of samity to come up with agreed approaches, government has dropped the ball.

A Democratic-led Congress in 1994 could not manage to pass a reform of the Superfund toxic-waste-cleanup program after a coalition of business and environmental leaders produced a compromise that made nearly all the tough decisions. One reason for governments' inaction, I think, is that political leaders mistakenly assumed that the worldwide loss of confidence in national governments, the urge to privatize and deregulate and the sense that governments usually make things worse rather than better, extended to the environment. They are learning that it emphatically does not.

A recently leaked Republican poll wanted to elicit anti-environmental sentiment found that while nearly 60 percent of Americans think government regulates too much in general, only 21 percent feel that way about the environment. Notwithstanding these sentiments, there is a strong worldwide preference for marketplace solutions over regulation.

The difficulty is that other than direct customer preference, which for a few products is strong enough to drive technological change, markets require prior governmental action to produce environmental improvements. The necessary change may be to remove a subsidy for environmentally damaging activities, to provide a tax incentive for a step forward, to set a goal and let the private sector find the best way to meet it, to create new markets in trading emissions of air pollutants, for instance, or just to require that firms publish detailed

information about their emissions. None of these requires the heavy hand of nitpicking, form-filing regulation. Yet proposals are usually met with "We support this concept in principle, but . . ."

Environmentalists and industry can agree in principle that economic incentives would be better than auto fuel efficiency regulations, for example, but the auto industry won't bear a gas tax, and the oil industry won't stand for a carbon tax, so while there is agreement in principle, in practice there is stalemate. Meanwhile the chemical industry, whose advertising slogan is "don't trust us, track us," is suing EPA for expanding the list of toxic chemicals on which firms need do nothing more than provide public information.

Old habits die hard. My guess is that years from now we will remember Republicans' attempted rollback of environmental protections as a politically costly but brief interruption of a steady trend in the opposite direction. We will better understand these years, I think, as a period of transition between the end of sole reliance on command-and-control regulation and the beginning of an era that will draw on a varied menu of economic incentives and public information, with government, industry and environmentalists in new, more collaborative roles to provide the environmental protection that people everywhere are demanding.

It will be a long and difficult transition. The good news is that it has begun.

The writer is a senior fellow at the Council on Foreign Relations.

Copies to:

Andre Armstrong
Nicki Spinks
Craig Zelen
Duh Corrigan

Ken Durent
Phil Hale
Maurice Strong

4/12

2/12/94

Assuming this is a correct description of the Davos meeting, it validates our Global Business Strategy re: Environmental trends (and the effort we are putting into the U.S. regulatory reform/environmental technology initiatives) *Ralph P.*

CH2M HILL
FOR IMMEDIATE DELIV

TO: HRC
Fr: Lisa

DATE: 2-21-96

Mike Driver asked
that I give this
to you. He said he
discussed this
matter with you
in Denver.

ERATOR:

ME SENT:

AM_ PM_ ☒

OFFICE:

COUNTRY:

Verification Phone Number:

Return original?: ☒ YES NO

Employee No.:

Office: Denver

TO: ~~Mike Driver~~

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CITY: Washington

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THE PRESIDENT HAS SEEN

3-1-96

cc
T. L. ...
...

M E M O R A N D U M

TO: THE PRESIDENT
FROM: BETTY
RE: MESSAGE FROM SECRETARY CISNEROS
DATE: FEBRUARY 29, 1996

Secretary Cisneros spoke in Florida (this morning in Miami and the afternoon in Tampa). In both places his reading of the community on your response to your action on Cuba is perfect. It had just the right calibration.

Secy Cisneros talked with Sosnik and Sosnik indicated he should pass the above on to you.

The Secretary will be out of town for a week.

THE WHITE HOUSE
WASHINGTON

96 MAR 1 P7:18
OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: John Angel

Fax Number: 6-2271

Phone Number:

FROM: John Trinidad

SUBJECT: 1997 Budget - package from Todd Stern

DATE: 3/1/96

NUMBER OF PAGES (including cover sheet): 2

MESSAGE: This is a copy of the
2nd to last page of 1997 budget package sent red dot
earlier today. (in case copy given was not legible)

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

The document accompanying this facsimile transmittal sheet is intended only for the use of the individual or entity to whom it is addressed. This message contains information which may be privileged, confidential or exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering the message to the intended recipient, you are hereby notified that any disclosure, dissemination, copying or distribution, or the taking of any action in reliance on the contents of this communication is strictly prohibited.

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Table S-19. OUTLAYS BY FUNCTION
(in billions of dollars)

Function	1995 Actual	Estimate						
		1996	1997	1998	1999	2000	2001	2002
National defense:								
Department of Defense—Military	259.4	254.3	247.5	243.9	246.5	253.9	256.6	264.9
Other	12.6	11.3	11.3	10.9	10.0	9.1	9.4	10.6
Total National defense	272.1	265.6	258.7	254.8	256.5	262.9	266.0	275.5
International affairs	16.4	14.8	15.0	14.4	14.0	13.4	13.5	14.5
General science, space, and technology ..	16.7	16.9	16.6	16.6	15.6	14.9	15.3	16.5
Energy	4.9	3.2	2.2	1.9	1.9	1.5	1.6	0.3
Natural resources and environment	22.1	21.6	21.6	21.0	20.8	20.4	20.8	21.7
Agriculture	9.8	7.7	7.7	9.0	8.5	7.6	7.4	7.4
Commerce and housing credit	-14.4	-10.7	5.6	6.4	7.0	6.7	4.5	4.6
On-Budget	(-12.5)	(-10.4)	(3.0)	(6.4)	(8.5)	(7.2)	(6.4)	(6.4)
Off-Budget	(-2.0)	(-0.3)	(2.6)	(0.0)	(-1.5)	(-0.5)	(-1.8)	(-1.8)
Transportation	39.4	39.8	39.1	38.9	36.9	34.8	34.1	35.5
Community and regional development ...	10.6	12.9	11.8	10.5	9.5	8.3	8.0	8.1
Education, training, employment, and social services	54.3	54.1	53.5	53.8	55.6	57.2	59.5	62.2
Health	115.4	121.2	134.6	141.3	146.6	152.1	156.4	162.2
Medicare	159.9	177.6	190.1	204.9	218.4	231.1	248.4	267.0
Income security	220.4	228.3	236.7	244.9	253.4	264.3	269.3	281.6
Social security	335.8	350.9	368.1	386.2	404.8	424.4	445.0	466.7
On-Budget	(5.5)	(5.8)	(7.0)	(7.6)	(8.2)	(8.7)	(9.3)	(9.9)
Off-Budget	(330.4)	(345.2)	(361.1)	(378.5)	(396.6)	(415.7)	(435.7)	(456.8)
Veterans benefits and services	37.9	37.7	39.9	39.4	37.2	37.4	36.4	40.2
Administration of justice	16.2	18.8	22.0	24.0	24.9	25.6	26.1	25.4
General government	13.8	13.6	14.6	14.4	14.2	14.4	14.9	15.5
Net interest	232.2	241.1	238.5	236.1	234.6	229.9	227.0	223.2
On-Budget	(265.5)	(277.5)	(277.9)	(278.5)	(280.1)	(278.7)	(279.6)	(279.8)
Off-Budget	(-33.3)	(-36.4)	(-39.4)	(-42.4)	(-45.5)	(-48.9)	(-52.6)	(-56.6)
Allowances		-0.3	-0.1	-0.1	-0.1	-0.1	5.1	9.0
Undistributed offsetting receipts:								
Employer share, employee retirement (on-budget)	-28.0	-27.1	-27.5	-27.7	-29.3	-31.4	-33.7	-35.9
Employer share, employee retirement (off-budget)	-6.4	-6.3	-6.7	-7.1	-7.7	-8.4	-9.0	-9.9
Rents and royalties on the Outer Con- tinental Shelf	-2.4	-2.7	-3.1	-2.6	-2.6	-2.6	-2.6	-2.6
Sale of major assets		-1.8	-0.1					-1.9
Other undistributed offsetting receipts	-7.6	-4.4	-3.6	-5.0	-3.8	-3.1	-2.6	-18.4
Total Undistributed offsetting receipts	-44.5	-42.3	-41.0	-42.4	-43.4	-45.5	-47.9	-68.7
On-Budget	(-38.0)	(-36.0)	(-34.3)	(-35.3)	(-35.7)	(-37.1)	(-38.9)	(-58.8)
Off-Budget	(-6.4)	(-6.3)	(-6.7)	(-7.1)	(-7.7)	(-8.4)	(-9.0)	(-9.9)
Total	1,519.1	1,572.4	1,635.3	1,675.9	1,716.9	1,761.4	1,811.5	1,868.3
On-budget	(1,230.5)	(1,270.3)	(1,317.7)	(1,346.9)	(1,375.0)	(1,403.5)	(1,439.2)	(1,479.8)
Off-budget	(288.7)	(302.1)	(317.7)	(329.0)	(342.0)	(357.8)	(372.3)	(388.5)

MESSAGE CONFIRMATION

MAR-01-96 19:06

FAX NUMBER : 2024562215

NAME :

FAX NUMBER : 62271

PAGE : 02

ELAPSED TIME : 01'03"

MODE : G3 STD

RESULTS : O.K

MESSAGE CONFIRMATION

MAR-01-96 19:08

FAX NUMBER : 2024562215

NAME :

FAX NUMBER : 62271

PAGE : 02

ELAPSED TIME : 01'02"

MODE : G3 STD

RESULTS : O.K

DBauer (GS) Admin

THE PRESIDENT HAS SEEN

31. 196

EXECUTIVE OFFICE OF THE PRESIDENT

28-Feb-1996 07:47am

TO: Jock Gill

FROM: Jock Gill

SUBJECT: So, how many *does* it take...

*Herman from
Jock Gill*

A little humor to lighten the load, as it were ----

Jock

>>Date: Tue, 27 Feb 96 23:15:50 -0500
>>From: Noel Chiappa <jnc@ginger.lcs.mit.edu>
>>To: info-explorer@mc.lcs.mit.edu
>>Subject: So, how many *does* it take...
>>
>>Q. How many Republicans does it take to screw in a lightbulb?
>>
>>A. Four hundred and sixty-two:
>>
>>Twelve to investigate Clinton's involvement in the failure of
>>the old bulb, twenty-three to deregulate the light bulb industry,
>>sixteen to cut funding for alternative lighting R&D, thirty-four to
>>cut the tax rate on light bulbs, fifty-three to design a block grant
>>so the states can change the bulb, forty-one to talk with defense
>>contractors about night-vision gear instead, and two hundred and
>>eighty-three to pass a law making it illegal to discuss naked bulbs
>>(or screwing anything) on the Internet.
>>
>
>
>
>

Jock Gill
Penfield Gill, Inc.
Boston, MA
jgill@penfield-gill.com
<<http://www.penfield-gill.com/gill>>

Riding the conservative wave

Miller deftly sheds liberal image, becomes more popular and powerful than ever

By Ken Fosskett
STAFF WRITER

Just 14 months ago, the conservative mood of Georgia voters nearly swamped Democratic Gov. Zell Miller.

Now, two weeks shy of his 64th birthday, Miller is enjoying the broadest support of his five-year administration. He is leading the conservative wave that nearly finished him, pushing an agenda of budget cuts, privatization and smaller government that veers sharply from his more liberal past.

And to some, the governor is looking more and more like a candidate for higher office.

"He's got something on his damn mind," said former DeKalb County Sheriff Pat Jarvis, a longtime friend who speculates Miller might even be considering a bid for president in 2000.

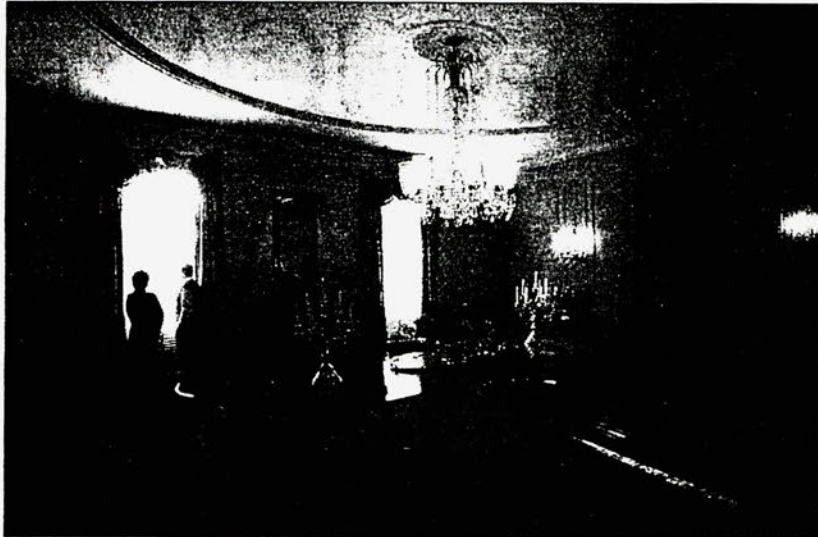
Others believe he is preparing to challenge U.S. Sen. Paul Coverdell (R-Ga.) in 1998. Miller deflects the speculation, but keeps his options open.

"I'm not going to make the mistake that I made in '90 and '91 by saying I'm not going to run again," Miller said. "I am not making plans to run, and I am certainly not doing any of this stuff to run."

That Miller survived 1994 — unlike Democratic governors Ann Richards of Texas and Mario Cuomo of New York — is a testament to his street-fighting campaign style.

But the fact he is now perceived as a champion of conservative causes is another example of his ability to keep reinventing himself during four decades in politics.

"He's outsmarted even the most partisan Republicans, because while they were talking the issue, he was working it," says Tom Perdue, a former Democratic insider now working for Republican U.S. Senate candidate Guy Millner.



Dining in: Gov. Zell Miller and his wife, Shirley, enjoy the morning sunlight in the Governor's Mansion dining room, whose stately serenity contrasts with the tumult of politics.

W.A. BRIDGES Jr. / Staff

Miller's newest political persona — conservative corporate manager — contrasts starkly with the liberal, populist image he cultivated as a former college professor who served as lieutenant governor from 1975 to 1991.

With no solid constituency outside North Georgia, Miller sought early on to forge a political base out of a mixed bag of special interests.

He courted organized labor and the women's movement, leading the campaign to pass the Equal Rights Amendment in the state Senate. He championed the rights of the elderly and the poor.

"He was our hero," said former state Sen. Cathey Steinberg of DeKalb County, who worked with Miller on ERA passage. "He was the real liberal in power."

As lieutenant governor, Miller supported the right of teachers to strike and supported na-

tional legislation to require businesses to give advance notice of plant closings — a top priority of organized labor.

Now he is pushing proposals to privatize state services and remove job protection for state workers.

"He governs with his finger in the air," says Stewart Acuff, president of the Atlanta Labor Council.

While campaigning against Herman Talmadge for the U.S. Senate nomination in 1980, Miller vowed never to balance the federal budget "on the backs of the poor."

This year, Miller proposed cutting the departments of Human Resources and Medical Assistance by a combined \$72 million. Both agencies administer programs for the poor.

In his younger days, Miller was an avid reader of the liberal Mother Jones magazine. Today,

his preferred reading is "The Death of Common Sense" by Philip K. Howard, a conservative polemic against big government.

Some of Miller's more liberal ideas remain. He has always believed that government should play an activist role in education, and his proposal to cut the state sales tax on food — adopted unanimously by the General Assembly this year — harkens to his populist roots.

Miller concedes moving toward the right over the years, but he rejects both the "liberal" and "conservative" labels.

"No state has anything like the HOPE scholarship; is that conservative or liberal?" he said. "Is taking the sales tax off food conservative or liberal? Back whenever I used to talk about it, everybody said it was liberal."

In an era in which politicians

increasingly fear the capricious swings of public opinion, Miller draws praise for his ability to spot trends and adapt to them.

"He is a fellow that has not nine lives, but 90 lives," said Rep. Roy Barnes (D-Mableton), who ran against Miller for governor in 1990. "He understands that politics have to be like life itself, and change in the changing conditions."

Uncertainty over Miller's future beyond his second term as governor has only strengthened his hand, convincing skeptics that he won't be a typical lame duck.

Republicans enthusiastically support his efforts to privatize state services, cut costs and remove job protection for employees in the state merit system. Democrats think his conservative programs can deliver them from Republican defeat in November.

"He's one of the best Republicans we've got right now," joked Christian Coalition Vice President Linda Hamrick.

Republican? Zell Miller? One of the keynote speakers at the 1992 Democratic convention? For the record, Miller said he still considers himself a loyal Democrat and plans to campaign this year for his friend President Clinton.

He insists he has no interest in higher office, saying he plans to finish his term as governor and retire to his native Young Harris in Towns County with his wife, Shirley, and teach school.

"I am ready to go back to that place where the soul of man never dies," Miller said whimsically.

But some of his closest friends aren't buying it.

"I have problems thinking that he's just going to retire to the mountains, teach and write books," said Jarvis, who campaigned with Miller in 1994. "He just loves politics too much."

Stonewall



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN

3/1/96

February 27, 1996

96 FEB 27 P4:38

THE DIRECTOR

MEMORANDUM FOR THE PRESIDENT

FROM:

Alice M. Rivlin

Philip Lader PL

SUBJECT:

SBA's 7(a) General Business Loan Guarantee Program

We thought it would be useful to inform you of how certain 1997 budget issues for SBA have been resolved and to alert you to possible criticism we may get from Congressional Republicans and Democrats.

In October 1995, you signed legislation, based largely on an Administration proposal, that raised fees on Section 7(a) loans in order to reduce the taxpayer subsidy. Lower subsidies mean that, with any given level of budget authority, SBA can support a larger volume of loans. In fact, the Administration proposed fees sufficient to remove the subsidy entirely. Congress enacted slightly lower fees, sufficient to bring the "subsidy rate" on the loans from 2.74% down to about 1% (meaning that the SBA budget was projected to score about \$1 for every \$100 of loans guaranteed).

OMB is charged under the Budget Act of 1974 with estimating the subsidy cost for government loan programs. When OMB made its estimate this year for FY97 (using SBA data for the period from 1984 to 1995), it concluded that, despite the higher fees authorized by the legislation and significant reinvention improvements by SBA, the subsidy rate on the 7(a) loans should not stay at the 1% projected level, but instead should be raised to 2.7%, or roughly the same level as in 1995. This rate was heavily influenced by data for loans made during the years 1984 - 1992. SBA's more recent changes have not yet had time to take full effect.

Faced with the higher subsidy cost, and given that both of us agreed that it was important to increase the program level to \$11 billion of new loans guaranteed (slightly over the 1996 level of \$10.8 billion), we had three choices in the 1997 budget process: (1) raise fees yet again (with a negative impact on small business owners); (2) request appropriations sufficient to achieve the \$11 billion in loan guarantees without a fee increase (\$295 million); or (3) some combination of the first two options. At the end of the day, we chose option (2) -- sufficient appropriations without a fee increase.

It is possible that disclosure of the 2.7% subsidy rate for the Section 7(a) loans will give SBA's critics in Congress ammunition for attacking the program and perhaps SBA's larger mission. SBA's lenders and supporters could be critical as well. We can respond by pointing out that the management and reinvention changes made by SBA have helped prevent an even greater increase in the subsidy rate. These points will be made in the 1997 budget documents. Nonetheless, we wanted you personally to be aware of the issues.

THE PRESIDENT HAS SEEN

R A N D O M

PERSONAL / CONFIDENTIAL

To: POTUS

From: Jim Lyons

Re: Ireland/St. Patrick's Day

Date: February 26, 1996

As St. Patrick's Day approaches and current conditions in Ireland remain ominous and uncertain, I'd like to suggest that you consider a different St. Patrick's Day event. Hosting a social gathering at the White House might appear unseemly under the circumstances. Similarly, holding no event could send the wrong message and undercut the solid gains you have made. Accordingly, you might consider hosting an inter-denominational prayer service for peace at the National Cathedral (or the White House) on Sunday, March 17 (St. Patrick's Day). You could invite leaders from all parties in Northern Ireland, including Gerry Adams (thus finessing the visa issue). They would join you, HRC, senior members of your government, representatives of the Irish and British governments, and prominent Irish-Americans to mark this occasion with appropriate solemnity and a Presidentially led call for renewed commitment for a peaceful and political solution.

Additionally (and, again, depending on then-existing conditions), the St. Patrick's Day weekend could be an opportunity for Senator Mitchell to perhaps chair a meeting with representatives of both governments and all Northern Ireland political parties in Washington (neutral turf). This could be an opportunity to explore approaches for a return to the ceasefire, a commitment for elections, and the commencement of all-party talks by a date certain. Such a conference might be a pre- or mini-Dayton, borrowing from the model used to construct a Bosnian peace.

I have taken the liberty of running one or both these ideas past Nancy Soderberg and Jack Quinn. I'm happy to follow up or help in any way you'd like.

JML:dm

cc: Jack Quinn
Nancy Soderberg

THE PRESIDENT HAS SEEN

CHARLES W. STENHOLM

17th DISTRICT
TEXAS

COMMITTEES:

BUDGET

AGRICULTURE

RANKING MEMBER,
SUBCOMMITTEE ON
GENERAL FARM COMMODITIES

SUBCOMMITTEE ON
RESOURCE CONSERVATION,
RESEARCH & FORESTRY

Secretary Robert Rubin
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Mr. Secretary:

I want to take this opportunity to ask that H.R. 2676/S. 1481, legislation to amend the Internal Revenue Code of 1986 to provide for the nonrecognition of gain for sale of stock to certain farmers' cooperatives, be included in the final budget reconciliation agreement. Both measures enjoy bipartisan support.

When enacted, the measures will allow companies to sell certain refining and processing facilities to farmer cooperatives and defer capital gains taxes. This is similar to the treatment under current law given to companies which sell assets to Employee Stock Ownership Plans (ESOPs) and worker-owned cooperatives. The legislation will help farmers purchase facilities that refine and process their commodities. Because refining and processing represent an ever-increasing share of agricultural profits, this type of incentive would help farmers gain a better economic footing in an increasingly competitive market.

House Agriculture Committee Chairman Pat Roberts and I introduced H.R. 2676 on November 20th. Senators Hatch and Harkin introduced a modified version of this bill (S. 1481) on December 14th. I appreciate your consideration of this legislation and ask that you support its inclusion in the final reconciliation bill. With warm regards, I remain

Sincerely yours,

Charles W. Stenholm
Member of Congress

CWS:jmh
Enclosures
cc: The Honorable Martin Sabo

Please Respond to:

WASHINGTON OFFICE
1211 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20516
(202) 225-6000

DISTRICT OFFICE
P.O. Box 1227
STAMFORD, TX 76553
(817) 773-2883

P.O. Box 1307
ABILENE, TX 79604
(817) 673-7221

33 E. TRAVIS AVENUE #110
SAN ANGELO, TX 76903
(817) 666-7004

Handwritten:
1/2/96
F. J. - admin

THE PRESIDENT HAS SEEN

3/1/96

THE WHITE HOUSE
WASHINGTON

96 FEB 28 P 6 : 29

February 28, 1996

MEMORANDUM TO THE PRESIDENT

FROM: STEPHANIE STREETT & ANNE WALLEY

SUBJECT: SCHEDULING DECISIONS

Accept

Date of Event:

Description of Event:

3/1/96

White House Fellows Attend
Taped Radio Address

3/5/96

Address to the National Association
of Counties

3/6/96

Malcolm Baldrige Awards
Presentation

3/7/96

Meeting w/ King Hussein

3/13/96

Meeting w/ DC Community
Leaders

3/14/96

Meeting w/ Kate Michelman of the
National Abortion Rights Action League

3/14/96

Speaker's St. Patrick's Day Lunch
on Capitol Hill

3/20/96

Meeting on the Monumental Core
Framework

3/20/96

Cabinet Meeting Followed by Evening
Reception w/ Cabinet Members & Spouses

Pending:

3/13/96	Roundtable w/ Parents & Children w/ Disabilities, Washington, DC
3/19/96 - 3/20/96	Participate in WH Event For the "Campaign For Tobacco Free Kids"
	You would accept the health community's first Mike Synar Public Service award and thank TFK for its support.
4/24/96 - 4/28/96	Address the National Council on Aging 46th Annual Conference, Washington, DC
5/15/96	Attend the 15th Annual Peace Officers Memorial Service
	This event will take place in front of the Capitol.
5/21/96 - 5/23/96	AARP Biennial Convention, Denver, CO

Regret:

Date of Event:

Description of Event:

3/22/96

(7) can someone
receive it
for me

Accept Award For Appointing Women
to the Federal Bench

**You will be at the Bethesda Naval
Center for your annual physical during
the day. In the evening, you have a
WH reception for the National
Newspaper Association.**

3/15/96 - 3/18/96

Participate in a National Student Town
Hall Meeting, DC

3/1/96 - 4/30/96

Visit to the New York Stock Exchange



THE PRESIDENT HAS SEEN
3/1/96
THE SECRETARY OF THE INTERIOR
WASHINGTON

96 FEB 23 P 3 : 24

February 23, 1996

*1 ches / 50 million
sum m:thin*

Memorandum for the President

From: Bruce Babbitt

Here are some thoughts on the subjects that we discussed.

1. Yellowstone - New World Mine

This project is moving very well. Mike Clarke of the Yellowstone Coalition is negotiating with the mining company, which shows every sign of willingness to settle for less than 40 million.

We have located coal deposits in eastern Montana that can be used in exchange without Congressional involvement.

We will work with CEQ to phase into Mike Clarke's negotiations at the appropriate time.

2. Headwaters in California

This is a mess - too many parties stumbling all over each other dealing with the Hurwitz group. Also complicating matters is Hurwitz involvement in a failed thrift and his less than spotless record in the business world.

I am going to talk with Dan Glickman in the morning and see if, together, we can bring some order to this.

3. Skip Hayward

✓ { He got what the Tribe wanted - acreage taken into trust for casino expansion. Because of intense local controversy, and the concerns of Senators Lieberman and Dodd we structured the transaction so that the parties could have their day in Court in a direct appeal, rather than being forced to seek a TRO on the front end. He has no reason to complain; he should be grateful for our getting a very sticky issue resolved in his favor.

THE WHITE HOUSE
THE PRESIDENT HAS SEEN.
WASHINGTON 3/1/96

February 29, 1996

Mr. President:

Letter has been copied to
Leon Panetta, Alice Rivlin
and John Hilley.

Todd Stern

*original
sent to
Jim Derskind*

Pls do reply

3/1/46

SARGENT SHRIVER
1325 G STREET, N.W., SUITE 500
WASHINGTON, D.C. 20005

February 23, 1996

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

Dear Mr. President:

In the negotiations between the Administration and Republican leaders in the Congress, may I ask you and your colleagues at the White House, please, to pay special attention to a small but vital \$15 million increase for VISTA in a Continuing Resolution, versus the savage cut contained in H.R. 2127?

So little money is involved to save VISTA and so many good results will be achieved by continuing VISTA at its current or even larger appropriation level, it would be truly a tragedy if, accidentally, the program were cut when practically no one of experience and power in either House is aiming to achieve such a result.

Hatfield, Specter, Bond, and Dole all will support a separate boost for VISTA in a Continuing Resolution; but the Administration has to give VISTA special attention. It should never have been engulfed in the Labor/HHS legislation, but it can easily be extracted from that bill if it doesn't pass, and put into a Continuing Resolution.

If I can be of any help to your people on any aspect of this matter, please ask them to call me.

Sincerely yours,



Sargent Shriver

96 FEB 28 11:04

THE PRESIDENT HAS SEEN

3-1-96

Southern
California's
Newspaper

Los

WW

THE PRESIDENT

LAT

CIRCULATION:
1,058,498 DAILY / 1,457,583 SUNDAY

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COMPAN

COLUMN ONE

Getting Cut Off by AT&T

■ For workers in the company's tax department, downsizing brought anguish, confusion and a jarring end to an employer-employee bond fast disappearing in corporate America.

By BARRY BEARAK

TIMES STAFF WRITER

MORRISTOWN, N.J.—The mass firings at AT&T were supposed to start on Jan. 16, though for reasons deemed humane, some executives gave workers the option of finding out their status on Dec. 21, the Thursday before Christmas.

For the 200 people in the tax department, most of them terror-stricken at the coming of the latest company move—this was a gut-churning choice. What if you got canned? That could turn your whole family inside-out during the holidays. Then again, why let it haunt you if everything was going to be OK?

In the end, workers decided they could not bear to wait. Throughout the day, they left the maze-like shelter of their gray, shoulder-high cubicles for a private session with one of the tax bosses.

Joe Ottaka, for one, was fairly confident. An accountant, he had been with AT&T for 12 years. His most recent personnel evaluations were all tiptop. The tax unit itself was an award winner. He figured the odds fell his way until he picked up a voice-mail message from a friend that said: "Joe, it's a blood bath."

Suddenly, Ottaka, 51, felt the fateful tug of the corporate under-tow, the endless rounds of downsizing and restructuring that now engulf more than 1 million workers a year. An old psychological contract has been broken, loyalty and hard work no longer an even trade for job security. It may well be the biggest change in the American workplace since the introduction of the 40-hour week.

With so many jobs insecure, in good times or bad, a low boil of anxiety percolates within most every office and factory. Ottaka had felt it for years. AT&T was always hemorrhaging jobs, and 40,000 more were about to go. Was it his turn now? He took a seat behind closed doors, and when he actually heard the words, they hit him like a hammer blow:

"Joe, you don't have the skills to fit in at the new AT&T."

Later, Ottaka would learn that this was the company-approved phrase. Over and over, to one employee after another: "Sorry, you don't have the skills." In her session, Shelda Maier, another accountant, demanded to know, "What skills are you talking about?" But the bosses had been coached not to say. Such answers might lead to pledges to improve, begging, arguments, a scene.

Dispensed with only vague explanations, the firings then took on an eerie, inscrutable cast, like an arrest by the secret police in a

Please see AT&T, A8

Continued from A1

Kafka novel. Maier was furious as well as hurt. There was no place to appeal, nothing left to do. She hurried to a restroom to cry.

Co-workers were watching each other come out of the offices. Who was safe, who was sorry. News sped its way through the cubicles. People were still trying to calibrate their own chances. Maier was a Fulbright scholar, conscientious and kept to herself. If she was out, what about me?

As the day went on, people separated into pockets of sorrow and pockets of relief. The fired were the easier to spot under the low ceilings and overhead fluorescents. Their troubles seemed almost visible, like a curl of smoke. Some of them slumped, as if their bodies were suddenly without bones.

Bruce Picard was another victim. After 27 years with AT&T, the moment left him oddly puzzled. What should he be doing? Like the others, he had been told he would stay on the payroll until March 15. Should he finish the day? Take a walk? Go home? Finally, he decided to call his wife. "Guess what?" he said.

Ottaka, who is divorced, phoned his girlfriend, then started packing some personal items in a box; he stared at an old photo of himself, competing in a triathlon. Henry Nwokonko, the father of two young children, announced his meager revenge. He'd tell everyone he knew to switch to MCI.

Inevitably, people began their dreary post-mortems, the present unspooling into the past. They searched for the causes of their misfortune. The department was badly run, nothing but a joke, really. Just look at who was kept and who was not.

But then the brooding would take an inward turn. People blamed themselves—or blamed their circumstances. Careers and personal choices were picked over. They should have schmoozed more or kissed up or been more political. They should have put in longer hours. They should have seen that competitive pressures would force the company into drastic changes.

Life's blessings were work's curses. Maier, 39, was divorced. Her kids were 7 and 5. "Single parents are vulnerable," she thought. "AT&T knows I have other obligations. They know they can't get as much out of me."

In all, the tax unit was cut by 53 people. The fired tried to soothe each other with the well-worn homilies of the grieving. They told themselves that life went on. They still had their families, their friends, their good health. The thing to do was to look ahead. Their job now was to find another job.

Finally, they all went home. "Mommy had a bad day," Maier told her son. Then they went to watch her daughter in a Christmas pageant. The little girl wore one of Maier's nightgowns to play the Virgin Mary.

Read Rankin, a 45-year-old tax analyst, had a 40-minute drive to his new house in the horse country by the Delaware River. His wife, Joanne, was seven months pregnant with their third child. His sons were 4 and 2.

Rankin had 10 years with AT&T, a master's degree from Yale University, a law degree from Case Western. When he had phoned Joanne with the awful news, she quickly turned to the bedroom clock to mark the exact time that their lives had changed: 11:42 a.m. Now there would be no money for curtains or wallpaper. She would have to keep her part-time job at the mall.

Joanne's parents were arriving that day from Florida to share the yuletide cheer. Rankin did not know what to tell them. His thoughts were tumbling. When he had gotten the word, he angrily told his boss it was "damned unfair" and then gave him what for. But now he actually felt liberated, even happy.

Joanne would recall that he "seemed on speed, high as a kite." But it was only the first of many mood swings to come, the dismal up-and-down of being left behind. In a few hours, he would collapse back into himself as he played with his 4-year-old, Cole. He had something important to tell the boy.

"Always remember that your Dada, just like Dada's Dada, always tried the hardest to do the best he could," Rankin said. Even if the boy was too young to understand, maybe the words would stick in his mind and mean something later.

Then Rankin walked toward the fireplace, near his in-laws, Ed and Sue. He was nearly crying. What kind of a breadwinner was he? "I'm sorry I lost my job," he apologized. "I'm sorry I didn't do better by your daughter."

placement services." The biggest of the job cuts make headlines—the 74,000 at General Motors, the 63,000 at IBM, the 40,000 at AT&T—but almost every corporate work force now has its own diaspora.

These days, restructuring rather than simple downsizing drives most of the job loss. Corporations are not so much reducing their size as trading in their people—out with the old and in with the new. During the 12 months before June 1995, the net work-force decline for companies eliminating jobs was only 1.1%, according to the American Management Assn. Businesses fire, then hire.

The rationale for all this churning is the super-competitive nature of the current marketplace. Entire industries rise and fall in a matter of years, prompting a flurry of merging, divesting, resizing and remolding in an effort to keep up. Workers with today's skills are brought in to replace those with yesterday's. Though, for the sake of the bottom line, corporations are also sometimes willing to exchange better and older for younger and cheaper.

Even as highly profitable AT&T reported that it was cutting 40,000 of its 304,000 jobs during the next three years, it quietly added that it would hire 15,000 to 20,000 people in 1996. Changing priorities required it. After all, no company could transform a now-unneeded sales clerk into a newly-necessary computer programmer.

The world moved too fast for that. There "used to be a lifelong commitment on the employee's part and on our part," Bob Allen, AT&T's CEO, told Time magazine. "But our people now realize the contract does not exist anymore."

There is a new unwritten contract to replace the old. The updated deal is more immediate and straightforward: this work for that pay. The paternalistic employer is now a relic. Workers themselves must assume sole responsibility for their own careers—and expect to change jobs frequently.

"The healthy way to approach this is to understand that we're all temps," said David Noer, a management consultant. His book about the trauma of layoffs, "Healing the Wounds," is on AT&T's list of recommended reading for those recently fired. "That's the new reality, so every employee needs to develop skills that keep him marketable across different organizations."

Other business experts are not so accepting of this new epoch. They say the revolving door often moves carelessly fast—and they ask: What is happening to institutional memory and hard-won trust and camaraderie? These days, companies are always talking about "empowering" workers to show more initiative. How can that occur when people always feel scared and vulnerable?

There are many signs of worker shellshock. One poll after another shows they are losing confidence as consumers. If every job is a keg of dynamite with a fuse of uncertain length, how can a person plan ahead? In the past, the average home buyer could count on a rising salary to finance a mortgage. Now, unpredictable periods of unemployment change all the arithmetic.

To some extent, blue-collar workers—especially those without unions—have always lived with this insecurity. But now the upper-income white collars are feeling it too. The most stunned of all are middle managers. They once manned the front lines in the expanding corporate hierarchy, settling into lifetime jobs the way a child might slip into a goose-down

sleeping bag.

Blue-collar work may still be more tenuous, but it does often involve a transferable skill. Middle managers, on the other hand, have been busy "facilitating" and "coordinating," steeped in a single corporate culture and ill-prepared to be shed as so much bureaucratic flab.

Those managers who were just fired from AT&T will be running into some of their predecessors at the company job fairs. Angela Patrone, 43, who earned \$45,000 a year as an associate manager in human relations, was let go by AT&T in 1994. She has been looking for a comparable job ever since.

"They're in for quite a shock," she said of those now starting the job hunt. "They're used to being part of the AT&T family. Well, the family got divorced and nobody wants custody of the children."

Outside the Circle

On the day after the tax people got the news, many of the fired showed up at work anyway, even though they had been told this was no longer expected. They sat in their regular spots, but things felt uncomfortable now. They were outside the family circle and a distraction to the others, who were unusually relaxed and jolly. This was the morning of the office Christmas party.

The tax department is located here in Morristown in Mount Kemble Plaza Two, just one of dozens of massive office buildings that AT&T has placed in the wooded towns of eastern New Jersey. On the Friday before Christmas, Kemble Two's cafeteria is always decorated for a party. The buffet is free. Cafeteria workers dress up as elves. Carolers sing the joyous lyrics of the season.

Shelda Maier ordinarily overflows with holiday spirit, but now she only dreaded the AT&T festivities. She had to go. Her two children counted on it, lining up with the other kids to deliver their Christmas lists to Santa.

It was all so terribly awkward. "I could see the pity in people's eyes," Maier said. "Some of them hugged me, but they were all careful not to say too much in front of the kids." Lame clichés were tendered. One woman reassured her, "I've always found that these things work out for the best."

Psychologists say the loss of a job is similar to a death in the family; people go through stages of denial, anger and depression before acceptance. Read Rankin had made it through denial and was speeding into high dudgeon.

He was at his desk when he saw his boss, Gary Wiggins—the very one who had handed him the pink slip—walking from cubicle to cubicle, making holiday chitchat and shaking hands. He wouldn't dare stop here, Rankin thought. But then there he was, looking sympathetic, like someone on a condolence call.

Rankin cut Wiggins short. "I think you're trying to say something nice to me, but let's face it, you've taken my job and sent me and my family down an uncertain path," he said. "Why did I get nailed and not the others?"

Wiggins is a tall, thin man, two years older than Rankin. These difficult decisions were made through a long, careful process, he tried to explain.

"Whatever the process, it was designed to get rid of people and then to disguise who did it. . . ." Rankin responded sharply. "You know, Gary, I don't hate you, though it's pretty hard for me to contain it. I have to forget about

what's happened and move on. It'll only hurt me to get angry and negative."

Then, angry and negative, Rankin refused to shake his boss' hand.

AT&T used to affectionately refer to itself as Ma Bell—and who was there to quibble? As a regulated monopoly, it had a hammerlock on anyone who wanted to place a call. This motherly self-image, however, had genuine meaning to the employees. With no competition, AT&T was a cozy place to work. Individualism was subordinate to communal bonding. The phone company took care of its own.

All this would change in 1984 with a court-ordered breakup. New rivals took on the giant and often found it sluggish. Telecommunications was changing at mad-cap speed. To keep up, AT&T had to grow bigger in some places and smaller in a lot of others. Over 11 years, it cut 73,000 jobs, 20% of its total.

Kindly Ma Bell now obeyed the Darwinian laws: survival of the fittest. Each downsizing arrived with a jolt of anxiety that was cumulative. Bruce Picard, the 27-year veteran, said he once heard a perfect description of the multiplying tension: One foot over the cliff and the other on a banana peel.

But however many the layoffs, AT&T remained an unwieldy beast. In 1991, it forced its way into the computer business with a \$7.5-billion hostile takeover of National Cash Register. This was a costly

blunder, the two vastly different companies fitting together no better than a right arm on a left shoulder.

Last September, Bob Allen proposed a cure for his \$80-billion lopsided titan—a split into three companies: one each for communications, services, equipment and computers. In his announcement, he ominously stated that "it would be safe to say that the combined new companies will have fewer employees than the current AT&T."

That breathtaking number, 40,000, would be released 104 days later.

Cut and Divide

Actually, the 40,000 total—so often cited as yet another calamity for the American worker—has been misconstrued. Not every job cut will mean a firing.

By AT&T's calculations, 12,000 employees are expected to accept voluntary buyouts (though those who jump are sometimes pushed). About 4,000 more will exit to AT&T spinoffs. Another 6,000 are likely to rejoin the company eventually, either in newly created jobs or positions vacated through attrition. That leaves 18,000 unaccounted for.

After all the years of downsizing, the corporate bosses are adept at it. Big subtractions can be made by eliminating unprofitable units; for instance, 2,500 jobs have been "gained" by closing the company's phone stores.

But the challenge this time,

company officials said, was not only to cut jobs, but to divide AT&T into the three new parts. People in departments such as tax, real estate, purchasing and human resources would have to be apportioned. At the same time, top managers were instructed to pare their payrolls to the core.

All the anxious sorting and sifting began with a numerical rating of every worker. Then, in meetings called "round tables," small groups of top managers matched the available jobs with the people they thought the best.

Decisions were then reviewed. Job cuts are a magnet for lawsuits about discrimination, and AT&T did not want the ax to fall too heavily on any one age group or gender or race. In any case, severance packages would be sweetened with a 20% bonus for employees who waived their right to sue.

Finally, it was time to tell the workers.

Delivering Bad News

Gary Wiggins—director, property taxes—had 30 people to inform, thumbs up for 20, down for 10. "It was a wrenching day," he said. He gave bad news to a lot of good people, and delivering it was as painful a duty as he'd ever had. These workers had families, just like him. To make the chore easier, he arranged the appointments so he did not have to fire too many in a row.

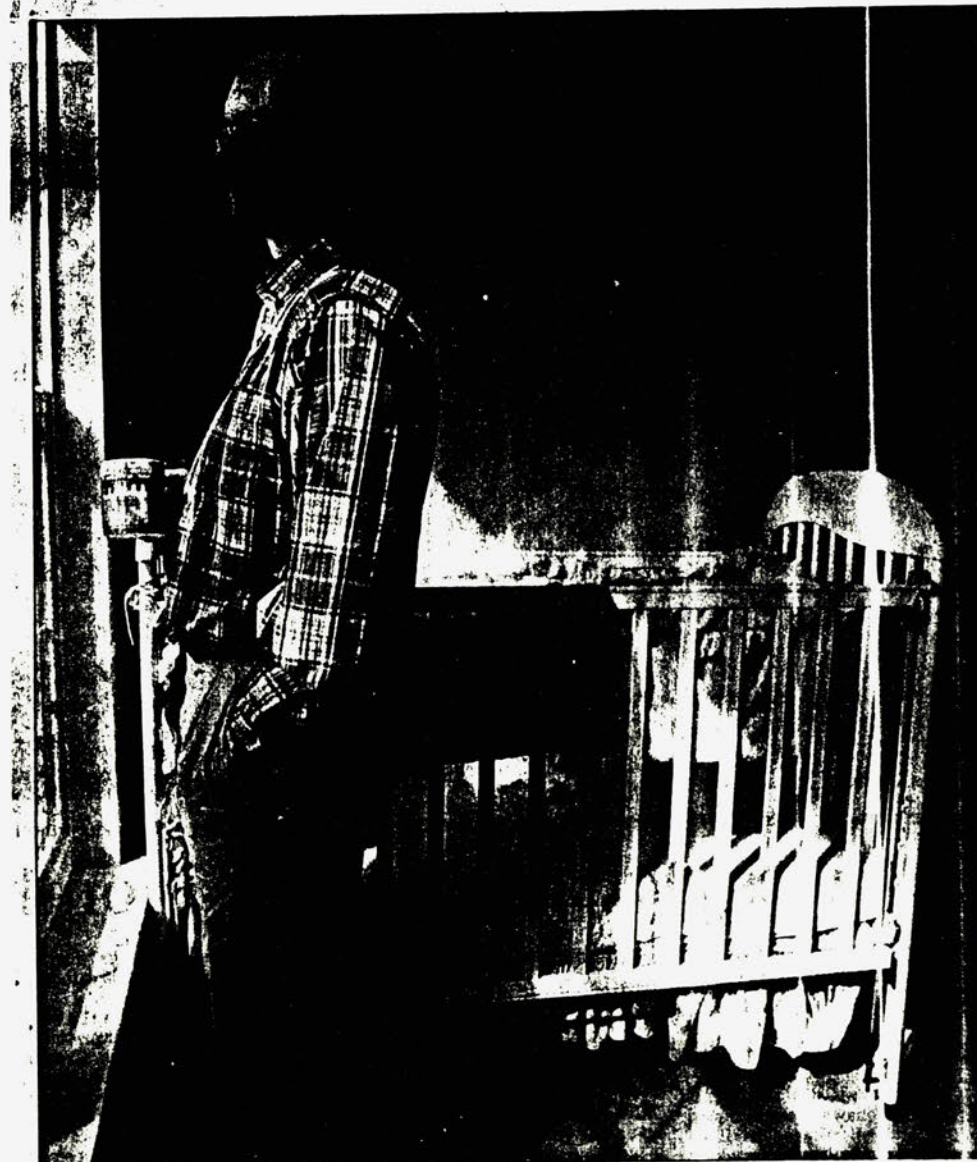
Passing the word was only the last step in an exhausting process. Wiggins himself had taken part in six round tables, judging others even as higher-level round tables were judging him. "Every decision was thoroughly talked about, and every employee was represented by someone who knew him," he said, satisfied that all the somber winnowing had been done as fairly as possible.

For the tax department, the job cuts had come at an opportune time. The unit was changing, relying more on temps and outside help for the basics. The emphasis was now on minimizing AT&T's tax burden rather than mere compliance. Strategists were needed, not just "data gatherers" who plugged in numbers.

But how does one go about firing people? Wiggins and the other bosses were given 10 hours of training. Pointers in the manual included: "Stay off the 'blessing in disguise' theme. . . . Don't say, 'You shouldn't take it so hard.' . . . It is not time for a performance appraisal. . . . Stay off the topic of criticizing the company. . . . Give tissues and water. . . . Don't say, 'I know how you feel.'"

When the day finally arrived, the bosses would be surprised about which employees cried and which did not. "There were more tears from the people with [jobs]," said Greg Millert, who is Wiggins' boss. "They cried out of relief, I guess. The stress was over, and

Please see AT&T, A9



"The thing is, you had to play the game, be on stage. What it is is a betrayal. I feel their faithlessness, a bunch of 30- and 40-year-olds looking at other 30- and 40-year-olds and cutting their throats."

—Read Ranklin
Former AT&T tax analyst, 45

AT&T: Restructuring to Meet Its Changing Priorities

Continued from A8

they let it pour out."

The fired, however, were oddly quiet. Most gasped or blurted something, then fell silent. Several began to stare right past Wiggins, looking at the painting behind his desk, at the boats docked peacefully in a cove. He was obligated to tell them about termination dates and available counseling, but he may as well have been talking to clothes on a mannequin.

True, there were some who spoke up. Wiggins would only discuss Rankin in generalities: "Different individuals have different issues. Some people have strong academic backgrounds, but maybe they haven't been accomplishing all we've wanted. They've had difficulties marching in the new directions. . . .

"I feel pretty bad about Read. You know, he's not taking this too well."

Lessons for Displaced

In the affluent towns of New Jersey, as in those in nearby Connecticut and New York, hundreds of white-collar support groups have started up in churches and community centers. Suddenly shorn of purpose, some of the jobless act as if they've been rendered useless, like human windows painted shut. But for the most part, people are upbeat. They come to "network," to trade job leads.

Though some specialize in the dispossessed of one occupation or another—such as computers or banking—one group is much like another. The leaders preach a similar folk wisdom: No job is safe; never stop networking; never stop learning; as soon as you land a job, start looking for the next. Most of all, never confuse your own best interests with those of the corporation.

These were lessons Read Rankin had yet to learn. Weeks went by, but he could not let go of his hurt. AT&T was embedded in his mind and soul. He spoke unwittingly of those in the tax department as if they were familiar to anyone, describing some as near-mythic figures of epic flaws and diabolical cunning.

"Well, I've figured out what this was all about," he said, beginning a typical rant. "Gary likes his own people. If he didn't bring you in, you're garbage, and I was a threat to his power base because I had the expertise. I was in charge of the appraisal, which is a very important document. So now he'll give the job to Bruce. Bruce is his boy. It was a brutal power move."

"You know, Gary once tried to ship me off to California because he knew I wouldn't move there. So I called his bluff and that embarrassed him. I put in for a job with Manny. Manny called Gary and said, 'What are you doing to Read?' Gary was livid. It all blew up in his face."

"But the one I still don't understand is Ephraim. He came in here to make the department more professional, better educated and family-oriented, but all it became is dog-eat-dog. The thing is, you had to play the game, be on stage. What it is is a betrayal. I feel their faithlessness, a bunch of 30- and 40-year-olds looking at other 30-

and 40-year-olds and cutting their throats."

Help for Jobless

Corporate horror stories are legion. People get fired and a minute later a security guard is marching them out the door. That does not happen at AT&T. People here were given at least eight weeks' notice—and paid an extra five to 35 weeks of salary based on years of service. They were also referred to an AT&T "resource center," where counselors offered them free career advice.

In January, the center in Murray Hill, N.J., geared up for a long onslaught. More space was added, computers installed. Janice Cooley has been running this hospice for the jobless since 1990, but still cannot get used "to all these sad people walking around, looking like they were bruised."

With many, the hardest part is to get them to apply for jobs outside of AT&T. "They think they'll be rehired; some even say it's disloyal to be looking elsewhere," Cooley said. "That's part of the denial. They believe someone within AT&T will realize a mistake was made and take them back."

All day, the fired would come in to check job postings and use the phones, though the rooms stayed quiet as a library. People moved unnaturally slowly, like rubber balls that had lost their bounce. Occasionally, one would recognize someone they knew from way back

and silently nod: You too, huh?

Among the seminars was "Career Transition Training." Martha Bisaccio, a woman with the kind face of a kindergarten teacher, told people to identify their salable skills and buck up. New opportunities were always coming open. One handout explained that joblessness was "a valuable learning opportunity for your family in developing unity [and] building bridges of caring."

Shelda Maier said she found the session useful. She had never before viewed herself as a "product," something that had to be updated in order to meet changing demand. Joe Ottaka also began to evaluate his market value. Maybe 12 years at AT&T had been too long. "My career as a tax professional died here," he said. "I spent too much time working on the same old thing."

In fact, as Ottaka now looked back at it, he had never liked his job at all.

Emotional Swings

The best way to fend off depression was to send out resumes. After all, with no fleet out there, no ship could come in. But who had a resume?

Three weeks after getting fired, Read Rankin finally put one together. It was three pages long, going into detail about how he had analyzed, managed, appraised, reviewed, compiled, documented, determined and reconciled.

A while later, afraid the resume was not all it should be, he asked for help from someone in Yale University's placement office. She called it pathetic. It was too long.

The typeface was ugly, the sentences incomplete.

But Rankin was not discouraged. By then, he had a plan. If he had to look for a job, he would begin by aiming high. His dream was to work with "the great" Jack Grubman, who analyzed the telecommunications industry for the investment banking firm Salomon Bros. He repeated this name with great veneration, the way someone else might say Frank Sinatra or Michael Jordan.

"In my daydream world, I'm working beside Jack Grubman, and we're picking the winners and losers on Wall Street," he said. "Me and Jack Grubman."

This was characteristic of the newly jobless. Their hopes seemed to bob up and down like a cork in rough seas. They were life's wash-outs one day and cocky as Bugs Bunny the next. Some, like Rankin, seemed able to explore the limits of all this emotional territory in a single conversation.

"Listen, I'm a statistical person, and the odds of my getting work are not real good," he began morosely. "My greatest concern is my age. Not that 45 is old. At 55, I'd be a lot older. At 25, I wouldn't even care about this. But 45 is there in the middle. I don't know about 45."

"I wish I could say I was confident. The big obstacles are psychological. AT&T has given me the message: We don't want you. Yeah, you've got the credentials. Yeah, you did a good job for us. But now we want someone new."

"Think what that did to me. I had low self-esteem for years. I had a lot of unfunded debt. Then I made myself into someone who someone like my wife would want to marry. It was a long haul, and now look what they did to me."

But in a just few minutes he was talking his way back into the pink. "You know, AT&T has done me a favor. All those years, I was willing to take a low paycheck in return for job security. I wasn't out to conquer the world. Well, now I'm going to try for something that's bigger and better, and I think I'll get it. You know why? Because I'm a cool head. I'm a deft hand. I know how to do the work. That's why."

Alarming Trends

National rates of job loss go up and down. Among workers with at least three years on the same job, one in 26 lost that job during 1991-1992, the latest two-year period studied by the Labor Department. The big change

in recent years is that there is no longer a strict link between layoffs and the health of the U.S. economy. With corporate restructuring so routine—and job cuts so fondly embraced by Wall Street—good times no longer provide workers much added protection.

Equally alarming is what happens to displaced workers in their ensuing job searches. Among full-time workers who lost jobs in 1991 and 1992, only 35% had found work that paid as well by 1994, according to federal surveys. About 32% had not gone back into full-time jobs at all.

With the career ladder so slippery, and the climb back up so unsure, Americans seem all too aware of their jeopardy, but few have many thoughts about what might be done to change things.

Among two dozen of AT&T's fired, only a few mentioned the general topics of middle-class decline or the need to change corporate behavior. Even then, they would only say that "someone ought to do something," though they could not specify who that champion might be or if government had a role to play.

Once, Rankin launched into a riff about the "ugly face of capitalism" and how "corporations like AT&T have fallen out of touch with the common people . . . making decisions solely on one criteria alone: money."

But then he quickly granted them absolution. "A corporation's duty is to its shareholders. The whole process may be detached from the common people, but, hey, that's why capitalism works and communism was a flop."

Only one person mentioned the comeback of labor unions, though she was not endorsing the idea. It was just something "that would serve the corporations right," like coming down with a cold after refusing to put on galoshes.

Bad and Worse Days

For the jobless, time was heavy on their hands but light on its feet. Their final weeks on the AT&T payroll were flying by, which was mortifying. Counselors had told them that it usually took a month of job hunting for every \$10,000 in salary. That meant four to five months for Rankin. By the end of January, he no longer had good days and bad, just bad days and worse.

The great Jack Grubman had not answered his entreaties, whether they were made by phone, mail or fax. The only employers nibbling at his resume were "vultures" in the life insurance business, "trying to seize on my fear."

"They say the jobs are in financial planning, but it's really just sales," he said. "As a condition of employment, they demand a list of 200 people I know who'd serve as prospects. They also want a list of my 15 closest friends and then want me to ask each of them for their 15 closest friends."

Everyday it was something else.

Over at the resource center, Rankin saw that AT&T was now advertising for two tax preparers.

"My God, does Gary really think I couldn't fill out the forms?" he huffed. "A software system makes it all ridiculously simple. I mean,

that's the last straw. What can be more obvious? The bottom line is that they just didn't want me anymore."

Nothing but spilled time—that's what his years at AT&T had come to seem. He felt in a curious trap now, all the cosmic tumblers cruelly locking into place and the whole world seemingly intent on rubbing his face in his shame.

Joanne, now just a month from her delivery date, sold dresses part time at Macy's. One day, she spent 90 minutes helping a woman pick out half a dozen Liz Claiborne outfits. It was going to add up to a nice commission, but then, at the register, the customer mentioned she was about to start a new job.

"Really, oh where?"

"At AT&T."

Joanne could not finish. She let someone else have the sale.

The Firings Continue

The firings at AT&T go on. Using the company's euphemisms, 5,000 workers have already become "unassigned." By the end of 1996, the job-cutters are expected to clear out about 28,000 spots.

Most of the fired will find work, even if the majority of the new jobs will not pay as well as the old. America is the world's great job machine. The telecommunications industry itself is undergoing a boom.

As for particular individuals, it is too soon to know how things are going to work out. Job loss can be the spark for an electrifying rebirth or a shove into some dreadfully long descent. As always, life is a puzzle without all the pieces.

A comeback seems unlikely for some of the AT&T castoffs. After 35 years, Brian Wolf was pushed into taking the buyout. He is 57, suffers from a bad heart, and while he talks about "going into consulting," one can already see him regarding his career as a pinched-out claim, no more ore to mine.

But with others, it is different. On their good days, Joe Ottaka, Shelda Maier and Read Rankin seem as purposeful as greyhounds chasing a rabbit. And there are good days. Just a week ago, Rankin himself was revived. He had interviewed with a big bond-rating firm in Manhattan, and the bosses had kept him there all day. By the time he left, they were already talking about what trains he might use in his commute. The job would double his AT&T salary.

"They still have to interview some more candidates, but all the signals I got were that the job was mine," he said, unable to restrain his leaps of faith. "The job is an astonishingly good match. And they have a real feel for who I am. They picked up on the relentlessness, the perfectionism, the deftness, the flexibility, the attention for detail. It was great!"

In his mind's eye, he was already making a soft landing in the precarious future. Once again, he was ready to invest mind and soul in the corporation.

Times researchers Anna M. Virtue and John Beckham contributed to the reporting of this story.

THE PRESIDENT HAS SEEN

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MEMORANDUM

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To: Mr. Alan D. Solomont (fax)
From: Alan S. Goldberg, Esquire
Re: Israel and President Clinton
Date: February 26, 1996

First of all, thanks again for allowing me to participate in the wonderful evening of discussion and collegiality at the Sheraton last week. The Democratic Business Council provides a fine forum for consideration of significant issues and I hope to be a worthy participant.

The opportunity to meet again with President Clinton was, of course, highly valued; from the first time I met the then-President to be at the Meridien Hotel here in Boston, to the meeting at the White House that provided a lovely photograph, to last week, my meetings (albeit brief) with the President confirm again and again the special and caring nature of a truly unique human being.

In that regard, please take note of the following. On Sunday morning, as is my habit, I awoke at about 5 AM and logged onto the Internet and downloaded the latest edition of The Jerusalem Post. I was shaken by the news of the explosions in Israel, and in particular the news that one explosion took place near Ashkelon.

When I was in Israel recently, Joanne and I visited our dear friends Doron and Riki Ashkelony and their teenagers, Yuli and Gal, who live in Moshav Gea in Hof Ashkelon. We spent an evening at their home and sang Channukah songs with their friends and talked about Israel and its future. Again and again, the conversation turned to President Clinton, his "Shalom Chaver" reference and the fact that automobile bumpers in Israel have a sticker that

says "Shalom Chaver"; the President's sensitive thought profoundly touched Israelis.

Having read about the explosions, we called Riki and it was obvious from her voice that things were not well in Ashkelon. In fact, from her home, she could hear the explosion and the bomb went off at a bus stop that Joanne and I had passed just a few weeks ago after leaving the Channukah evening at Riki's home. I could picture the area vividly in my mind; normally, a peaceful and quiet oasis where young Israelis stand and wait, and hope, and now a bloody disaster area.

In fact, Riki's daughter, Yuli, was going to pass that area in a bus just a short time later.

Riki said to me, "Alan, how do the American's see what has happened? Are they still with us? You know, Alan, we all care so very much for President Clinton and depend upon him. Of all the Presidents of the United States, we feel that he more than any is our true friend, our 'chaver'. Tell him, for us, that we love him, Alan."

By the way, Riki is a seventh generation Israeli, and her grandfather was slain with an ax by an Arab many years ago on the Mount of Olives.

And so, please, if you see the President, tell him, for Riki and all of her family and friends, that President Clinton is loved in Israel, now more than ever. More than ever, Israel needs President Clinton.

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Statement of
Richard W. Cordtz

International President, Service Employees International Union

In Opposition to the National Governors Association Welfare Reform Proposal
February 22, 1996

The Service Employees International Union, AFL-CIO, strongly opposes the welfare reform plan adopted by the National Governors' Association on February 6. This proposal would thrust millions more children into poverty and impose great stress on low-income families and their communities.

The Governors' resolution basically endorses the House-Senate conference agreement on H.R. 4, the Personal Responsibility and Work Opportunity Act, with a few modifications. President Clinton rightfully vetoed H.R. 4 in January on the grounds that it was "burdened with deep budget cuts" and "does too little to move people from welfare to work." Although the Governors' plan recommends a few positive changes, such as adding \$4 billion for child care, the overall proposal remains as unacceptable as the one that earned the President's veto.

Not only would this proposal impose great harm on welfare recipients, but low-wage workers would suffer as well. The plan's tough work requirements mean that hundreds of thousands of welfare recipients will be competing against current workers for available jobs. In the absence of adequate, enforceable displacement protections, existing workers will inevitably end up losing jobs -- and could wind up on the welfare rolls themselves.

The Governors' welfare resolution also does nothing to prevent radical extremist groups from commanding responsibility for administering the welfare function -- determining everything from who is eligible for welfare benefits, to what services clients receive, to how long families are entitled to remain on the rolls. If these functions are removed from the public domain, oversight and accountability for taxpayer dollars will be extremely difficult to achieve.

SEIU is calling on President Clinton and members of Congress to reject the Governors' welfare reform plan. We, as a nation, cannot support welfare reform that will penalize children, pit low-wage workers against welfare recipients, and force tens of thousands of public employees to lose their jobs to untested, unaccountable private contractors.

The fastest growing and most diverse union in the United States, SEIU is the third largest union in the AFL-CIO. SEIU's 1.1 million members are employed in the public sector, health services, building services, office work, and light industry.

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