

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

4/8/96

April 5, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS

SUBJECT: Summary of Cabinet Weekly Reports
March 29 - April 5

Summary
Notes

DEPARTMENT OF TREASURY

- **Secretary Rubin's Activities:** On April 9, the Secretary will meet with Hugh McColl, Chairman and CEO of NationsBank to discuss business mentoring in inner cities. He will also meet with Sir Leon Brittan, Vice President of the European Union. On April 11, the Secretary will meet with Chairman Greenspan, and attend the monthly AFL-CIO meeting.
- **Good Ol' Boys:** On April 1, Secretary Rubin sent the Treasury Policy Review and the Inspector General's Report regarding the Good Ol' Boy Roundup to the Congress. On April 2, the two reports were released to the public.
- **Currency Redesign:** There was continued positive press coverage of the introduction of the new \$100 note. International demand for the new notes was lower than expected.
- **BIF/SAIF:** All reports from the Hill indicate that both sides of the aisle are committed to passing a SAIF recapitalization. The House Republican leadership proved unwilling to include it in the CR passed on March 29, in part because the CBO scores it as a revenue loser. Without Congressional action to resolve SAIF's problems, SAIF could soon face major shrinkage of its deposit base, which would increase the risk of default on FICO bonds and could jeopardize the prospects of building adequate SAIF reserves.
- **Natural Disasters:** On April 16, Sen. Stevens will hold a drafting session for a comprehensive federal natural disaster bill. Treasury staff is working with staff from FEMA and other members of the Administration to develop legislative "modules" that will be provided to Stevens as alternatives. One such module, an excess-of-loss

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contract (XOL) program that will be run by the Treasury, will be submitted for informal OMB clearance prior to April 8. The XOL program would direct the Secretary to auction contracts for insurance and reinsurance losses due to a disaster in excess of \$25 billion.

- **ABC News:** Customs has been working with *ABC News* on a story about the increase in heroin swallows detected in Miami from Colombia and their ingestion of heroin. The piece will emphasize Customs role in interdicting this smuggling.

DEPARTMENT OF LABOR

- **Retirement Income Security:** On March 26, agency attorneys in Boston filed an Employee Retirement Income Security Act (ERISA) lawsuit against John Hancock Mutual Life Insurance Company and its investment management subsidiary, Independence Investments Associates. The complaint in the case alleges violation of ERISA's self-dealing prohibitions in connection with the payment by John Hancock's Investment Incentive Plan of more than \$600,000 in excessive investment management fees to Independence Investments Associates. The filing of this lawsuit was reported in the *Boston Globe*, the *Boston Herald*, and the *Wall Street Journal*.

✓ **America's Job Bank on the Internet:** For the seventh consecutive month, America's Job Bank on the Internet has set a record level of accesses. Total accesses increased to a level of 4.8 million, an increase of more than 16% over the February level.

- **Releases:** On April 10, the Bureau of Labor Statistics will release productivity and costs for the fourth quarter of 1995. On April 11, BLS will release the producer price index for March and on April 12, the consumer price index for March will be released.

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- **Electronic Workers:** The International Union of Electronic Workers (IUE), has threatened to strike two GM Delphi Chassis Systems parts plants in Kettering, Ohio, at midnight April 10, unless local outsourcing issues are resolved. The IUE represents 2,700 workers at the two plants, which supply about 95% of GM's shock absorbers and strut assemblies.

- **Service Employees:** On April 1, workers represented by the Service Employees International Union (SEIU) began a three day job action to protest more than 350 alleged unfair labor practices at 20 Pennsylvania nursing homes owned by Beverly Enterprises. The SEIU represents about 1,500 workers at the affected facilities.

- **Employment Situation:** On April 5, the Secretary released the employment and unemployment situation numbers for March.

DEPARTMENT OF TRANSPORTATION

- **Railroad Accident:** On April 4, a Burlington Northern train struck a school van at a signalled grade crossing in Clay, Texas, approximately 60 miles east of Austin. Six teenagers and a 44-year old driver were travelling from the Texas Baptist Children's Home to a track meet. The driver was killed and all occupants were injured, 3 seriously. No train crew injuries were suffered. Two prior accidents have occurred at this crossing, killing five people in 1988 and injuring four in 1990. An investigation of the signal systems is under way.
- **Chicago Green Line to Open May 12:** On March 27, the Chicago Transit Authority Board announced the Green Line Rapid Transit Line would open on May 12. The Chicago Transit Authority's Green Line is mainly an elevated structure providing over 20 miles of rapid transit service that connects the western and southern areas of Chicago. \$230 million in Federal Transit Administration funds has supported the rehabilitation of the track and structure. The Green Line has been closed since January 1994.
- **NAFTA Meeting:** On April 9 and 10, DOT will sponsor a meeting to discuss NAFTA drug and alcohol program issues with Canada. Discussions and presentations will focus on Canadian program implementation efforts, drug testing laboratory certification issues, and rule compliance and enforcement issues.
- **Alameda Corridor Initiative:** DOT's Federal Highway Administration and Federal Railroad Administration expect to issue a Record of Decision (ROD) regarding this project in April. Completion of the ROD will conclude the NEPA-mandated environmental review, thereby allowing locally funded construction segments to proceed on critical rail bridge improvements this June. DOT has met to discuss their concerns about the potential disruption caused by the construction of the depressed trainway.

"Truth in Budgeting Act": The House will take up the Truth in Budgeting Act upon its return the week of April 15. The Department is strongly opposed to this proposal to remove the transportation trust funds supported by excise taxes from the unified budgeting process. In the context of last year's National Highway System Designation Act, the Administration indicated it would veto legislation to move the Highway Trust Fund off-budget.

FAA Reform Rollout: As part of the new rollout of new personnel and procurement reforms, Secretary Peña traveled to New York, April 1, and to Chicago, April 2, to announce special pay incentives for air traffic controllers. While in Chicago, Secretary Peña also announced that the Chicago Center in Aurora, which controls en-route air traffic in the region, will receive a new display computer enhancement ten months ahead of schedule.

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- **State Infrastructure Banks:** On April 4, Secretary Peña announced that eight states have been selected to test the use of State Infrastructure Banks (SIB) to help finance transportation projects. The SIB pilot program will allow states to move beyond the traditional means of funding public infrastructure to increase public and private investment in transportation projects. The initiative is designed to cut costs and red tape, enabling states to use more flexibility in securing their portion of transportation investment. The states that were selected are: Arizona, Ohio, Oklahoma, Oregon, Texas, Florida, South Carolina, and Virginia.
- **Sick Building:** After months of investigating air quality, DOT consultants released a draft report concluding that the situation should be classified as a sick building syndrome. On April 3, the *Washington Post* ran a front page story detailing the situation. DOT is going to undergo a massive cleaning of its ventilation system, beginning in May, in an effort to clean up this situation. At that time employees will be relocated from large segments of the building as the clean-up begins. The clean-up should be completed by the end of the summer.
- **International Aviation:** Vice President Gore, on March 29, announced that the United States and South Africa had reached a new aviation agreement that significantly expands opportunities for U.S.-South Africa service. The agreement is the first with an African nation to allow airlines from each country to operate code-share service with those of the other country, a provision that will strengthen global aviation systems and offer a greater variety of services to consumers.
- **New Pan American Airways:** DOT has received an application for domestic scheduled air carrier authority from Pan American Airways, Inc., a new company whose President and CEO is Martin R. Shaugrue, Jr., formerly a high ranking executive with Pan American World Airways, Inc. The families of victims of the Pan Am Flight 103 Lockerbie tragedy intend to object to the application on the basis of allegations that Mr. Shaugrue bears responsibility for changes in security at Pan Am that led to the bombing of Flight 103.
- **Olympics Torch Exemption:** The Research and Special Programs Administration (RSPA) issued an approval on March 29 that authorizes transportation of the Olympic Flame in three lighted Koehler Flame Safety Lamps that are fueled with petroleum naphtha. The lamps will be carried in the passenger compartment of a chartered Delta Air Lines aircraft from Athens, Greece, to Los Angeles, CA.
- **Press:** *USA Today* is preparing an article on competitiveness in the airline industry. DOT's report on the same issue is due out in two to three weeks. *U.S. News & World Report* is preparing a comprehensive article on the status of rail safety in America. *U.S. News* has been attending congressional hearings, talking to all segments of the rail industry, NTSB and labor. On April 18, *U.S. News* will interview Federal

Railroad Administrator Molitoris about the regulatory process, passenger car standards and positive train control. The article should appear mid-April.

- **Secretary's Travel:** On April 8-12, the Secretary will travel to Chile and Argentina for export promotion and attend the Hemispheric Transportation Initiative ministerial in Santiago.

UNITED STATES TRADE REPRESENTATIVE

- **Softwood Lumber:** On April 2, Ambassador Kantor announced that U.S. and Canadian negotiators finalized the softwood lumber agreement which is effective immediately. Canada's four leading lumber producing provinces have agreed to reduce their combined shipments of lumber from 16.2 billion board feet last year to 14.7 billion for the year starting April 1. This will bring Canada's import penetration down to 32.8% from a record high of 36%.
- **National Trade Estimate Report:** On April 1, USTR released their annual National Trade Estimate Report on Foreign Trade Barriers (NTE) which draws attention to the problems and other trade barriers facing U.S. exports, services and intellectual property--including major trading partners such as the EU, Japan, China, and, for the first time, Hong Kong. While significantly greater access has been achieved in most countries, in general our trading partners' trade regimes remained protectionist compared to that of the U.S.
- **China:** Ambassador Barshefsky will travel to Beijing on April 5 to meet with government officials regarding IPR and investment issues. On April 10-11, she will travel to Hong Kong to meet with their officials on the same issues.

DEPARTMENT OF JUSTICE

- **Favorable Ruling in Case Challenging SBA Program:** McCrosson Construction Co. v. Cook, et al. On April 2, a federal judge in New Mexico denied plaintiff's motion for preliminary injunction in a case that challenges the constitutionality of the Small Business Administration's 8 (a) program (affirmative action program). In denying the plaintiff's motion, the judge stated, among other things, that the plaintiff had failed to demonstrate a likelihood of prevailing on the merits of its constitutional challenge, and that the government had "submitted significant evidence that the 8 (a) program may survive strict scrutiny as articulated in Adarand."
- **Last Agent Orange Tucker Act Claim Voluntarily Dismissed:** On March 19, the last remaining Agent Orange manufacturer seeking reimbursement from the United States voluntarily dismissed its \$25 million Court of Federal Claims complaint. Maxus Energy Corp. v. United States. This dismissal brings to a close six years of

litigation in which the courts rejected attempts of the Agent Orange manufacturers to shift \$55 million of their losses onto the federal taxpayers.

✓ **Attorney General to Announce New Florida Immigration Plan:** On April 10, the Attorney General and Florida Governor Chiles will announce an aggressive plan to remove criminal and other illegal aliens from the State and to control illegal immigration into Florida through airports, seaports, and by way of alien smuggling rings.

- **U.S. To Appeal Court's Refusal To Enter Consent Decree:** By April 8, the United States will file a notice of appeal to the Court of Appeals for the Fourth Circuit in United States v. State of North Carolina Department of Corrections, et al., a Title VII case in which the district court refused to enter the parties' proposed consent decree resolving allegations of sex discrimination against women in male-only prisons. The U.S. maintains that refusal to enter a consent decree is subject to interlocutory appeal under 28 U.S.C. 1292(a)(1), and that the district court relied on many erroneous legal assumptions.
- **Court Enters Consent Decree In Civil Rights Matter:** On March 27, the judge in United States v. Tennessee signed the Consent Decree in this CRIPA (Civil Rights of Institutionalized Persons Act) action. The Consent Decree settles the government's CRIPA investigation into conditions of patient care and treatment at the Memphis Mental Health Institute (MMHI). Among other things, the Decree requires MMHI to make improvements in the delivery of medical, psychiatric and nursing care and requires the facility to develop appropriate discharge plans for patients. Department representatives will tour the facility on May 1-2, with the Department's experts, and provide technical assistance to MMHI staff.
- **Summary Judgment Granted In Post-Adarand Litigation:** On March 20, the district court granted the government's motion for partial summary judgment and denied plaintiff's motion for summary judgment in Safeco Insurance Company of America v. The City of White House, Tennessee and the U.S. Environmental Protection Agency (EPA). In this post-Adarand case, the plaintiff challenged the constitutionality of an EPA procurement regulation that requires recipients of EPA funds and their prime contractors to take affirmative measures to solicit bids on subcontracting opportunities from minority and women owned businesses on EPA funded projects. The regulation does not require the attainment of any numerical goal, but requires that contractors make good faith efforts to attempt to subcontract with minority and womenowned firms by taking the positive steps specified the regulation. The district court held that the program is not subject to strict-scrutiny because it does not establish any preferences based on race or gender, and does not require recipients or contractors to discriminate on the basis of race or gender to comply with the regulation. For these same reasons, the court denied plaintiffs' motion for summary judgment that the regulation is unconstitutional.

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- **Title VIII Consent Decree Filed:** On March 20, the parties filed a proposed Consent Decree in United States v. Casa Alondra Mobile Home Park, et al., a Title VIII case, which was filed after authorization and referral of the matter by HUD, alleging discrimination on the basis of familial status. The United States' complaint alleged that Rules and Regulations in effect at Casa Alondra, located in San Francisco, CA, discriminated against families with children, and managers at Casa Alondra sought to evict Sherry Black because her minor son violated those discriminatory rules. In addition to ordering fairly standard injunctive relief, the Consent Decree orders Casa Alondra to amend its Rules and Regulations. In addition, the Defendants must pay Sherry Black \$17,000 in compensatory damages.
- **Cryptographic Software:** In a major victory for the government, the district court dismissed a First Amendment challenge to the State Department's licensing controls on the export of cryptographic software. Philip R. Karn v. Department of State. Plaintiff challenged a "commodity jurisdiction" determination made by the State Department that he may not export a diskette containing certain powerful cryptographic source codes without first obtaining a license. Plaintiff claimed that this violates his constitutional right under the First Amendment to freedom of speech, in part on the ground that a book containing the source codes at issue had previously been licensed for export.
- **World Trade Center Bombing Case:** On March 28, the Government of Pakistan notified the U.S. of its consent to the trial of Ramzi Ahmad Yousef, "for conduct which constitutes offenses and conspiracies to commit offenses under the Montreal Convention of 1971." Pakistan officials extradited Yousef to the United States in February 1995, to stand trial for his role as the mastermind in the World Trade Center bombing. The diplomatic note covers all the offenses with which Yousef has been charged relating to the bombing of the PAL flight that resulted in the death of one passenger and conspiracy to place bombs on other aircraft in East Asia. Yousef's trial on these charges is scheduled for May in the Southern District of New York. He will be tried later for his role in the World Trade Center bombing.
- **PIRA Terrorist Waives Extradition to Britain:** On March 28, District Judge Ward, of the Southern District of New York, accepted PIRA terrorist Peter John Gabriel McMullen's waiver of extradition, and ordered McMullen into the custody of waiting British police. This marked the end of McMullen's extradition case, which has taken ten years to resolve. McMullen will face numerous charges in England related to his association with the PIRA.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **LA County Update:** Progress is being made regarding the Department's decision on Phase I of the State of California's request for a Section 1115 Medicaid demonstration

for Los Angeles County. A draft waiver decision and rollout package was reviewed and should occur in the next few days.

- **Study on Effects of Cigarette Advertising on Teens Released:** On April 4, the Campaign for Tobacco-Free Kids announced results of a new study about the influence of cigarette advertising on teenagers. The study shows that teenagers are three times more sensitive than adults to cigarette advertising when making brand decisions. Authors of the study argue that advertising is primarily a battle for the youth smoker, refuting industry claims that advertising only leads to brand switching among adult smokers.
- **Nicotine Patches:** On April 19, an FDA advisory panel will discuss safety and effectiveness data on two nicotine transdermal patches for Over-the-Counter (OTC) use. Both products are currently approved as prescription drugs to aid in smoking cessation for the relief of nicotine withdrawal symptoms. The panel will review data and make a recommendation on whether a switch to OTC use may be appropriate for these products.
- **First Blood Test for Breast Cancer Recurrence Approved:** On March 29, FDA approved a blood test that measures a tumor marker found in the blood of patients with breast cancer and certain other types of cancers. The new test accurately detected breast cancer recurrence in 60% of women whose cancer recurred. The test adds a new tool to current monitoring methods such as mammography, MRI, and x-ray.
- **Appropriations:** On April 18, Secretary Shalala will testify before the House Appropriations Subcommittee on Labor, HHS, Education and Related Agencies on FY 97 appropriations for the Department.
- **Secretary's Travel:** On April 9, Secretary Shalala travels to Austin, TX to visit the Domestic Violence Hotline national headquarters, and to Dallas, TX for the HHS regional awards ceremony. On April 13, she will travel to New York to speak to the 23rd Annual Community Conference sponsored by State Senator Franz Leichter. On April 17, she will travel to New York to join White House AIDS Office Director Patsy Fleming in meetings with leaders of major health care philanthropies and executive directors of major AIDS service organizations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **HUD Settles Class Action Suit:** On April 5, Secretary Cisneros will host a press conference to announce an agreement among HUD, the City of Baltimore, and the Housing Authority of Baltimore City to settle a class action lawsuit filed last year by residents of Baltimore's public housing. The lawsuit alleged that certain public housing developments in the city are preserved as "black only" and "white only."

- **Secretary's Travel:** Secretary Cisneros will travel to six cities in the next two weeks to advance the Administration's success in increasing homeownership and implementing profound changes in public housing. The Secretary will be in Casper, WY; Las Vegas, NV; Philadelphia with Mayor Rendell; San Francisco with Mayor Brown; Madison, NJ; and Chicago, IL.
- **Homeownership Strategy:** To build on the homebuying season, HUD is sponsoring for the first time several Free Homebuyer Schools in targeted cities throughout the country to help first-time homebuyers and others become homeowners. On April 13, HUD will kick-off the first sessions in this series, which will be held in Chicago, IL and San Bernadino, CA. Up to 10,000 participants are expected to participate in these events.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Break The Cycle:** ONDCP is getting ready to roll out its Breaking the Cycle Demonstration Program. This program, which calls for universal testing of arrestees and the placement of persons testing positive for drug use into treatment, exemplifies how State and local justice systems can implement your Drug Testing Initiative.
- **Drug Control Strategy:** On April 9, the Director will meet with the leadership of the Law Enforcement Steering Committee to brief them on the Drug Control Strategy and to afford the police officials an opportunity to voice their concerns and priorities. The draft Strategy was sent out for review and comment on April 1 to all drug control departments.
- **Philadelphia Event:** On April 12, the Director will visit Philadelphia to observe various model drug treatment programs, a DARE class and a neighborhood meeting on community policing initiatives supported by DOJ's COPS Program.

VETERANS AFFAIRS

- **National VA Research Week:** VA has declared the week of April 7-13, National VA Research Week. VA medical centers will host events during the week to recognize the essential role VA research plays in caring for those who have served.
- **Exams Begin for Persian Gulf War Veterans' Families:** On April 1, the Department of Veterans Affairs began its Persian Gulf Veterans' Spouse and Children Examination Program. 33 VA medical centers established contracts with affiliated medical schools to conduct the examinations of the spouses and children of Persian Gulf veterans. The exams are intended to gather information that may help VA better understand the prevalence of illnesses in family members of those who served in the Persian Gulf War. VA estimates that the \$2 million authorized by Congress for this program will provide exams for approximately 4,500 individuals.

- **Congressional Activity:** On April 23, the House Appropriations Subcommittee will hold a hearing on VA's '97 budget. The Senate Appropriations Subcommittee is scheduled to have their hearing on May 3. Secretary Brown is expected to testify at both hearings.
- **VA Cuts Paperwork for More than 500,000 Beneficiaries:** VA is eliminating annual income reports for certain beneficiaries of income-based programs, cutting paperwork for hundreds of thousands of veterans and their survivors. This change reflects gains in computer matching programs that allow VA to validate a beneficiary's income through comparisons with other Federal agencies' automated files.
- **1996 National Veterans Wheelchair Games:** More than 550 veterans from across the U.S., Puerto Rico, and Great Britain are expected to compete in the largest annual wheelchair sporting event in the country - the 16th National Veterans Wheelchair Games, set for July 2-6 in Seattle, WA. The event, co-sponsored by VA and the Paralyzed Veterans of America, is open to all U.S. military veterans who use wheelchairs due to spinal cord injury, certain neurological conditions, amputations, or other mobility impairments.

SOCIAL SECURITY ADMINISTRATION

- **First Anniversary:** March 31 marked the first anniversary of SSA's status as an independent agency.
- **GAO Report:** GAO will release the final report, "Social Security: Issues Involving Benefit Equity for Working Women," on April 10. The report will indicate that a number of proposals have been made that would address concerns about the fairness of the Social Security benefit structure for working women and their families. However, these proposals have not been enacted, in part, because they would either involve additional cost to the program or require reductions in benefits to some categories of beneficiaries, many of whom are also women.

DEPARTMENT OF INTERIOR

- **Alaska North Slope Oil:** The Interior Department has been participating with NOAA, DOE, and the Coast Guard in developing the required environmental review and recommendations for a Presidential decision allowing the export of Alaska North Slope Oil under the recently enacted PL 104-58. The technical agencies, including the U.S. Fish and Wildlife Service and the Minerals Management Service, have reached consensus on draft recommendations for permit stipulations to minimize the environmental risk posed by the establishment of a tanker export route south of the Aleutian Island chain. The recommendations include stipulating and monitoring a

proposed route that maintains a 200 mile distance offshore, thus reducing the risk of oil spill impacts on the wildlife-rich Aleutian Islands.

- **Wolf Reintroduction:** Director Mollie Beattie of the U.S. Fish and Wildlife Service (USFWS) will travel to Yellowstone National Park from April 10-12 to release 17 wolves. On March 29, U.S. District Judge William Downes dissolved a temporary restraining order and denied a preliminary injunction against the release of the wolves.
- **Endangered Species Act Hearing:** Representative Young, chair of the House Resources Committee, has requested the Secretary testify at the April 17 hearing to review the implementation and administration of the Endangered Species Act. The hearing is scheduled for the first day of the Secretary's C&O Canal walk. The Department has notified the committee that the Secretary is available to testify earlier that week but is not available on April 17. We have asked the Committee to reschedule the hearing if possible so the Secretary can personally appear. The Committee is claiming the Secretary is travelling too much and unavailable to the committee. This is only the latest attempt by Representative Young to discourage travel by the Secretary.
- **Secretary's Schedule:** On April 6, the Secretary will travel to Boulder, CO, to participate in an event with Representative Skaggs at the Two Ponds National Wildlife Refuge. On April 11, the Secretary will travel to Mesa, AZ, to address the Associated Church Press. On April 12, the Secretary travels to San Diego, CA, to participate in an event to highlight the transfer of land from the Point Loma Naval Complex to benefit the Multi Species Habitat Conservation Plan in San Diego County.

UNITED STATES DEPARTMENT OF AGRICULTURE

• **Karnal Bunt:** On April 1, USDA announced crop destruction orders for about 4,000 acres infected with Karnal bunt in NM and TX. Those who comply with this emergency action may be eligible to receive compensation from the Department. We have also imposed quarantine restrictions on the entire state of Arizona, four counties in New Mexico, and two counties in Texas. On April 4, representatives from the affected state departments of agriculture will meet with Secretary Glickman and USDA officials on the current status of Karnal bunt.

• **Bovine Spongiform Encephalopathy (BSE):** In a March 29 joint press release, USDA and the U.S. Public Health Service (PHS) expressed support for voluntary measures announced by the livestock industry in the ongoing effort to ensure that the United States remains free of BSE. USDA and the PHS also announced additional steps government agencies would take to provide consumers with the assurance that the U.S. food supply remains among the safest in the world.

- **Timber Issues:** On April 2, Secretary Glickman sent a letter to the operator of the First and Last timber sales on the Umpqua National Forest in Oregon requesting a cessation of harvesting activities. The letter extended a final offer to the operator to exchange timber within the sale area for alternative volume to minimize environmental harm.

On April 3, the Forest Service published a *Federal Register* notice of interim ~~final~~ rule for disposal of National Forest System timber and modification of timber sale contracts in extraordinary conditions. Secretary Glickman announced on March 29 that he had signed an order to provide the Forest Service with an additional tool it needs to modify the most environmentally damaging timber sales authorized under the timber provision of the Rescission Act of 1995. This policy will allow the agency to modify timber sale contracts by substituting timber volume from outside the existing sale areas.

On April 4, the Okanogan National Forest in Washington will make the official offer to Double A Logging, the highest qualified bidder on the Thunder Mountain salvage timber sale. Northwest Ecosystem Alliance originally bid the sale, but acknowledged it could not fulfill the obligations in the contract.

Russian Poultry: On March 28-29, U.S. and Russian trade negotiators met to discuss Russia's recently announced tariff increases assessed on imported poultry products. Russia agreed to consider taking steps to ensure that imported U.S. products not be subject to any minimum reference prices. For poultry, the United States requested that Russia revise its tariff structure and apply either an ad valorem rate of 30% or a specific equivalent. The Russian delegation agreed to contact representatives of the U.S. delegation within two weeks regarding the two proposals.

Florida Tomato Growers File Dumping Case: On March 29, the Florida tomato industry filed an action with the International Trade Commission alleging that Mexico is dumping tomatoes into the United States.

- **China Makes Preliminary Announcement On New Tariff Rates:** China has announced the long-promised tariff reduction information for agricultural products, which took effect on April 1, offering the potential for increasing U.S. farm exports to that country. The Chinese government has announced they are placing Tariff Rate Quotas on items in 42 tariff lines, including wheat, barley, corn, rice, soybeans, soybean oil, and soybean meal.
- **Cigarette Manufacturer Owes \$5.5 Million In Assessments:** Liggett Group, the smallest of the six major domestic manufacturers of cigarettes, owes about \$5.5 million in the domestic marketing assessments of cigarettes in 1994. A decision memorandum is being prepared to allow Liggett to pay the assessment due over a five-year period.

- **USDA Conducts Methyl Bromide Research:** Methyl bromide, a soil fumigant and post-harvest commodity treatment, is scheduled to be banned nationally by the year 2001. Agricultural Research Service scientists have developed an experimental "gas mask," which would protect the earth's ozone layer from this controversial chemical.
- **Nutrition:** On April 11-12, in an effort to reach children and mothers with nutrition education messages, Under Secretary for Food, Nutrition, and Consumer Services Ellen Haas will be interviewed by *Parenting, Mothering, Healthy Kids, Safe Step, Child Life, Children's Playmate, Essence, Glamour, Better Homes and Gardens, Good Housekeeping, Working Mother, Working Woman, Ladies Home Journal, Self, and Vogue* in New York.

DEPARTMENT OF ENERGY

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- **University of California:** Secretary O'Leary is expected to make a public announcement late in April announcing the Department's decision whether to extend or complete the existing contracts with the University of California for management and operation of Lawrence Livermore National Laboratory, Los Alamos National Laboratory, and Lawrence Berkeley National Laboratory. There is a high level of interest in the local area on the results of this decision from the Governor's office to the local Livermore, CA, newspapers. The current contracts expire on September 30, 1997.
 - **Start Up of World's Largest Fuel Cell Demonstration Project:** Energy Research Corporation's 2-megawatt molten carbonate fuel cell demonstration project at Santa Clara, CA, began this week. The Santa Clara demonstration project, the largest of its kind in the world, is a joint funding effort between local governments, utilities, and the DOE. California intends to be one of the first States to accept and deploy fuel cells for distributed power generation. This technology is a power source that is environmentally benign, reliable, and highly efficient. If successful, this technology will provide a new flexible source of power to the U.S. as well as represent a new U.S. industry in the world market.
 - **Hanford Site Tank Waste Remediation System:** DOE plans to distribute the Draft Environmental Impact Statement (EIS) for the Hanford Site Tank Waste Remediation System on April 5. The draft EIS will be sent to the Governors of WA and OR, the committees, Federal agencies, special interest groups, and citizens that have expressed an interest in the draft EIS. Secretary O'Leary will meet with local radio stations and possibly with the editorial board of the *Seattle Post-Intelligencer* to discuss progress in the Hanford Site cleanup.
 - **Approval for Community Assistance Grant in Nevada:** A 5 million grant has been approved for the Nevada Community Reuse Organization Programs supported under this grant include a business development and marketing effort to expand mining and

environmental testing at the Nevada Test Site, a program to accelerate the creation of technology-related businesses and jobs, and a capital finance program based on a revolving loan fund.

- **National Forum of Black Public Administration:** On April 17, Secretary O'Leary will address the National Forum of Black Public Administrators. Her comments will focus on the Administration's commitment to diversity, expanding economic opportunity, and Historically Black Colleges and Universities. She will also stress the overall accomplishments of the Administration at home and abroad.

ENVIRONMENTAL PROTECTION AGENCY

- **Pesticide Announcement:** This week EPA announces a voluntary agreement with Uniroyal Company to stop the sale and distribution of propargite, a pesticide, for use on a variety of fruits and vegetables for which the dietary risks of getting cancer over a lifetime of consumption have been determined to be too high. Propargite will continue to be used on other food for which the dietary risks are negligible. The advantage of a voluntary agreement over a formal rulemaking is that the product will be taken off the market immediately, before this year's growing season, avoiding the lengthy period required to develop a regulation.
- **California Trip:** On April 12, Administrator Browner will travel to Los Angeles to address a major environmental and business conference called Eco-Expo 1996. Following her speech, the Administrator will meet with leaders of women's groups in the LA area.
- **U.S./Mexico Agreement:** The Administration reached a preliminary agreement last week with Mexico to establish the first cross-border pollution control zone. The zone would include El Paso, TX, and Juarez, Mexico, which neighbor each other and have the worst air pollution of any area along the border. As part of the agreement, a Committee will be formed to comprehensively address cross-border pollution issues and recommend innovative strategies to reduce air pollution in the region.

DEPARTMENT OF EDUCATION

- **Secretary's Travel:** On April 11, Secretary Riley will be in CT to meet with college presidents. On April 14, the Secretary will address the AACC conference in Atlanta. On April 15, he will address the National School Boards Association in Orlando. On April 16, the Secretary will participate in a forum with Governor Hunt in Raleigh, NC. He will also participate in the next satellite town meeting, "Preparing Your Child for College." On April 19, the Secretary will be in Denver to address the annual meeting of the United Methodist Church and for other events. On April 23, he is scheduled to address the National Family Literacy Conference in Louisville. Finally on April 26,

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the Secretary will address the Illinois PTA and kick off the READ*WRITE*NOW! summer program.

GENERAL SERVICES ADMINISTRATION

• **Federal Civil Aircraft Fleet Reform:** GSA has completed a study which examines the operations of the Federal Civilian Aircraft Fleet. The study, which has not been released, highlights a potential \$84 million that could be realized by disposing of excess aircraft and \$92 million through more efficient management and operation. There is Congressional interest in this study.

OFFICE OF PERSONNEL MANAGEMENT

- **Career Transition for Federal Employees Facing Downsizing:** The Interagency Group (IAG) of executive branch personnel directors has won an endorsement from the Greater Washington Board of Trade for a blue-ribbon panel of area CEOs and senior federal officials to develop electronic linkage between the displaced federal employees seeking jobs and private sector companies seeking experienced workers. OPM is coordinating with OMB and the White House on the appointment and announcement of the new panel.
- **Performance-Based Organizations (PBOs):** OPM has distributed to agencies a "template" or prototype personnel structure with guidelines on steps they might take to get their Performance-Based Organizations off to a fast start. The "template" pointed out 1) flexibilities that already exist on hiring, pay, and job classification and 2) demonstration-project authority that already exists. The Vice President announced the PBO initiative in March.

DEPARTMENT OF STATE

- **Croatia Task Force:** In response to the tragic crash of Secretary Brown's aircraft in Croatia, a Task Force has been established in the Operations Center to assist families seeking information.
- **China/Taiwan:** Since the Taiwan elections, both Beijing and Taipei have shown some signs of restraint without changing their basic positions. Taiwan's leaders have been reaffirming the goal of unification, not independence, and foreshadowing possible gestures toward the mainland. But they have also signalled their intent to continue raising Taiwan's international profile. The PRC has continued to send signals that it accepts the results of Taiwan's recent presidential elections but that Taiwan must take concrete steps to reunify with the mainland.

- **Deputy Secretary Travel:** At the invitation of the Russians, Deputy Secretary Talbott will travel to Moscow April 10-12 to hold a final round of preparatory talks before your April 19-21 trip.

DEPARTMENT OF DEFENSE

- **Military Aircraft Accident:** Because of events surrounding the T-43 accident in Croatia, Secretary Perry curtailed the Egypt portion of his trip and returned to Washington on April 4.
- **Persian Gulf Illness Report:** On April 2, Assistant Secretary for Health Affairs Steve Joseph released the Comprehensive Clinical Evaluation Program report. The report summarizes the diagnostic results of the more than 18,000 systematic clinical evaluations completed through the program. No single cause of illness among Persian Gulf veterans and no "syndrome" unique to those veterans has been identified.

UNITED NATIONS

- **UN Humanitarian Report:** On April 4, Ambassador Albright will introduce the annual Global Humanitarian Report to the UN. This report compiles data on all of the major humanitarian disasters -- both natural and man-made around the world.
- **Iraq:** The Council adopted a resolution establishing a mechanism for monitoring trade with Iraq in the event that sanctions against Baghdad are lifted or eased. Negotiations between the UN and Baghdad over implementation of the Security Council resolution authorizing the limited sale of Iraqi oil for the purchase of humanitarian goods are scheduled to resume April 8. Also, the Council will conduct the regular six-month review of the UN observer mission on the Iraq-Kuwait border April 4.

CENTRAL INTELLIGENCE AGENCY

- **Brothers to the Rescue:** CIA received a request from the Florida Corporation Brothers to the Rescue, Inc., for any information "concerning the organization ... plots by the Cuban government to assassinate any member of the organization ... or communications of any nature with the Cuban government concerning the organization." The request also sought a "copy of the full transfer transcript and audio tape of the conversations ... between the MiG pilots and their controllers in Havana."

UNITED STATES INFORMATION AGENCY

- **Drug Control Policy:** USIS Mexico provided support for the visit of the contact group led by General Barry McCaffrey. Coverage emphasized U.S. respect for Mexico's sovereign right to decide what level of military-to-military cooperation it

would approve in the drug fight, denial of any U.S. intention to "militarize" the border, and U.S. success in reducing drug consumption and jailing drug dealers.

- **Mad Cow Disease:** USIS London reports that coverage of mad cow disease still dominates the British media and USIS London continues to work to keep the U.S. out of the controversy. A major newspaper, *The Independent*, sought comment on "reports" attributed to the USDA allegedly noting that U.S. herds were susceptible to the disease, as well as stating how the U.S. "was avoiding British PR mistakes." No such reports existed and USIS London, working with the Agriculture Attache, put the writer in touch with an expert at USDA who totally refuted the charges. As a result, no media story appeared.

cc: The Vice President
Leon Panetta
Evelyn Lieberman
Harold Ickes
George Stephanopoulos
Alexis Herman
Carol Rasco
Maggie Williams
Michael McCurry
Doug Sosnik
Marcia Hale
Donald Baer
Ron Klain
Rahm Emanuel
John Hilley

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 4-9

TO:  Bark Quinn

FROM: Staff Secretary

Does this look OK to
you? The last paragraph
seems more accommodating
than I would have
anticipated. Are we really
going to "try to meet these
legitimate informational needs"?
(over)

Is this not an area
where we should
tell them to stuff it?
(not that POTUS would
say this himself.)

TDR

160666

THE WHITE HOUSE

WASHINGTON

April 9, 1996

96 APR 9 P2:07

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM:

ANTHONY LAKE
JOHN HILLEY

SUBJECT:

Response to Letter from Representatives Gilman,
Hyde and ClingerPurpose

To respond to a letter from Representatives Gilman, Hyde and Clinger on an alleged "deal" with Russian President Boris Yeltsin.

Background

Representatives Gilman, Hyde and Clinger wrote to request information concerning press reports suggesting that you and Yeltsin may have struck a deal to support one another's reelection bids. The letter intimates, through its information requests, that resolution of the poultry trade dispute is part of this deal.

Your response notes an Administration policy designed to maximize America's interests and points to achievements such as dramatic cuts in Russian nuclear forces, Russian cooperation in Bosnia, and expanded trade and investment opportunities for American business. In this context, you note that our \$600 million poultry trade with Russia affects 20,000 jobs in over 30 states.

The Congressional request for documents is extraordinary. Jack Quinn will be coordinating an answer to it that meets Congress' legitimate information needs while preserving important Presidential prerogatives, such as the confidentiality of Head of State communications.

RECOMMENDATION

That you sign the letters to Representatives Gilman, Hyde and Clinger at Tab A.

Attachments

Tab A Letters to Representatives

Tab B Incoming

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

Thank you for the letter from you and your colleagues. The allegation that President Yeltsin and I have struck an arrangement to promote each other's electoral prospects is simply wrong.

My Administration has consistently pursued a policy toward Russia designed to advance the interests of our nation and the American people. Support for a stable, democratic and market-oriented Russia has already yielded tremendous dividends: dramatic cuts in Russia's nuclear forces, Russian cooperation with NATO in Bosnia and expanded business opportunities for American firms and workers.

In those areas where we have not seen eye-to-eye, my Administration has delivered frank messages to the Russians. I have consistently made clear to President Yeltsin that, while the United States supports a robust NATO-Russian relationship, NATO enlargement will go forward in a steady, measured and transparent manner. And on the economic front, I have advanced the bipartisan policy that began with President Bush to dismantle the Cold War barriers to an expanded economic relationship with Russia and to foster jobs and prosperity in both our countries.

Protecting the rights of American exporters is not a matter of partisan politics; it is about advancing U.S. interests. When recent trade obstacles emerged for U.S. poultry producers, we acted quickly to preserve more than \$600 million in U.S. exports -- 20 percent of our annual exports to Russia -- involving 20,000 jobs in more than 30 states. We acted with similar decisiveness on power equipment exports to the European Union, cellular phones to Japan, meat products to Korea and other instances where countries denied U.S. producers access to their markets.

Support for reform in Russia has commanded strong, bipartisan support at home. A stable, democratic, market-oriented Russia will be far less likely to threaten America's security and far more likely to work with us to solve global problems. It can become an important partner in prosperity, with 150 million new consumers for American products. My Administration will continue

to engage Russia to advance America's vital national security and economic interests.

The White House Counsel will respond separately to your document request. I am concerned by the nature and scope of your request. However, we will try to meet your legitimate informational needs, consistent with essential Presidential prerogatives and my need, and that of future Presidents, to assure world leaders that they can communicate in confidence with the occupant of this office.

Sincerely,

The Honorable William F. Clinger, Jr.
House of Representatives
Washington, D.C. 20515-3805

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

Thank you for the letter from you and your colleagues. The allegation that President Yeltsin and I have struck an arrangement to promote each other's electoral prospects is simply wrong.

My Administration has consistently pursued a policy toward Russia designed to advance the interests of our nation and the American people. Support for a stable, democratic and market-oriented Russia has already yielded tremendous dividends: dramatic cuts in Russia's nuclear forces, Russian cooperation with NATO in Bosnia and expanded business opportunities for American firms and workers.

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Sincerely,

The Honorable Benjamin A. Gilman
House of Representatives
Washington, D.C. 20515-4309

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

Thank you for the letter from you and your colleagues. The allegation that President Yeltsin and I have struck an arrangement to promote each other's electoral prospects is simply wrong.

My Administration has consistently pursued a policy toward Russia designed to advance the interests of our nation and the American people. Support for a stable, democratic and market-oriented Russia has already yielded tremendous dividends: dramatic cuts in Russia's nuclear forces, Russian cooperation with NATO in Bosnia and expanded business opportunities for American firms and workers.

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Sincerely,

The Honorable Henry J. Hyde
House of Representatives
Washington, D.C. 20515-1306

Congress of the United States
Washington, DC 20515

April 1, 1996

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

Dear Mr. President:

In recent days there have been a number of press reports suggesting that you and Russian President Boris Yeltsin may have reached a deal to support one another's reelection bids.

We strongly support continued reform in Russia. Accordingly, we are alarmed by any suggestion that your policy toward the Russian elections may be tainted by domestic partisan political considerations. Furthermore, we are concerned that vital U.S. foreign policy priorities, such as our efforts to expand the NATO Alliance to include some former members of the Warsaw Pact, may be compromised as part of an arrangement to enhance your reelection prospects.

For these reasons, we are seeking to investigate the recent press reports in order to satisfy ourselves and the American people that election year politics have not interfered with the conduct of U.S. relations with Russia.

As part of this review, we ask you to provide to us no later than Friday, April 19th, all documents in the possession of the Executive branch described below:

1. All documents reporting, reflecting, summarizing, or describing your discussions with Russian President Boris Yeltsin on March 13th in Sharm el-Sheikh, Egypt.
2. All documents prepared to brief you for your March 13th meeting with President Yeltsin or to suggest possible remarks to be made at that meeting.
3. All documents containing, describing, reflecting, or relating to communications between Arkansas poultry producers and your Administration regarding the Russian ban on imports of chicken from the United States.
4. All documents reporting, reflecting, summarizing, or describing your telephone conversation with President Yeltsin on January 13th.
5. All documents prepared to brief you for your January 13th telephone conversation with President Yeltsin or to suggest possible remarks to be made in the conversation.

The President
April 1, 1996
Page 2

6. All letters or other communications sent to President Yeltsin regarding U.S. policy toward expansion of the NATO Alliance, as well as all documents describing or reflecting the course on NATO expansion that was elaborated in previous meetings with President Yeltsin in Moscow and Hyde Park, New York.

We will appreciate your prompt attention to this matter.

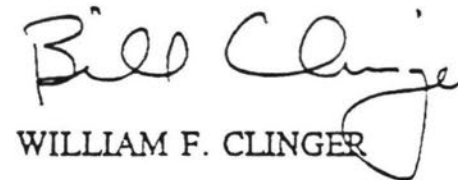
Sincerely,



BENJAMIN A. GILMAN



HENRY J. HYDE



WILLIAM F. CLINGER

ret'd
original
memo
to Reffer

THE WHITE HOUSE
WASHINGTON

04/08/96

CHUCK KIEFFER:

I am returning this memo to
you per your conversation
earlier today with Todd Stern.

Sharon Wagner/
Staff Secretary's Office.



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

THE DIRECTOR

March 20, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin *AMR*
SUBJECT: Sixth Special Message on Rescissions and
Deferrals for FY 1996

96 MAR 20 P 6:13

Attached for your consideration is the sixth Special Message on rescissions and deferrals for FY 1996, to be transmitted to the Congress in accordance with the Congressional Budget and Impoundment Control Act of 1974.

This Special Message contains 10 proposed rescissions of budgetary resources, totaling \$400.4 million, from funds available to the Department of Defense. Including this special message, funds proposed for rescission in FY 1997 now total \$1.4 billion.

Recommendation

The Department of Defense has reviewed the rescission proposals. I recommend that this Special Message be transmitted to the Congress.

Attachment

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Congressional Budget and Impoundment Control Act of 1974, I herewith report 10 proposed rescissions of budgetary resources, totaling \$400.4 million. These rescission proposals affect the Department of Defense.

X

THE WHITE HOUSE,

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Congressional Budget and Impoundment Control Act of 1974, I herewith report 10 proposed rescissions of budgetary resources, totaling \$400.4 million. These rescission proposals affect the Department of Defense.

X

THE WHITE HOUSE,

CONTENTS OF SPECIAL MESSAGE

(in thousands of dollars)

<u>Rescission No</u>	<u>ITEM</u>	<u>Budgetary Resources</u>
Department of Defense:		
Procurement:		
R96-11	Aircraft procurement, Army.....	140,000
R96-12	Procurement of ammunition, Army.....	47,200
R96-13	Other procurement, Army.....	5,800
R96-15	Procurement of ammunition, Navy and Marine Corps.....	10,000
R96-14	Shipbuilding and conversion, Navy.....	9,200
R96-16	National guard and reserve equipment.....	13,600
Research, Development, Test, and Evaluation:		
R96-17	Research, development, test, and evaluation, Army	9,600
R96-18	Research, development, test, and evaluation, Navy	39,800
R96-19	Research, development, test, and evaluation, Air Force	58,000
R96-20	Research, development, test, and evaluation, Defense-wide.....	67,200
Total, rescissions.....		400,400

R96-11

DEPARTMENT OF DEFENSE
PROCUREMENT
Aircraft procurement, Army

Of the funds made available under this heading in Public Law 104-61, \$140,000,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY

Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>1,547,605,000</u> (P.L. 104-61)
BUREAU: Procurement	Other budgetary resources.. \$ <u>17,000,000</u>
Appropriations title and symbol: Aircraft procurement, Army 216/82031	Total budgetary resources... \$ <u>1,564,605,000</u>
	Amount proposed for rescission..... \$ <u>140,000,000</u>
OMB identification code: 21-2031-0-1-051	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1998</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for construction, procurement, production, modification, and modernization of aircraft, equipment (including ordnance), ground handling equipment, and spare parts. This proposal would rescind appropriations for procurement of Kiowa Warrior aircraft. Additional Kiowa Warrior aircraft are not required to meet early deployment requirements.

ESTIMATED PROGRAM EFFECT: The Department of the Army's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
1,326,892	1,300,292	-26,600	-43,120	-47,460	-15,260	-4,900	-2,240

R96-12

DEPARTMENT OF DEFENSE
PROCUREMENT
Procurement of ammunition, Army

Of the funds made available under this heading in Public Law
104-61, \$47,200,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>1,103,085,000</u> (P.L. 104-61)
BUREAU: Procurement	Other budgetary resources.. \$ <u>46,600,000</u>
Appropriations title and symbol: Procurement of ammunition, Army 216/82034	Total budgetary resources... \$ <u>1,149,685,000</u>
	Amount proposed for rescission..... \$ <u>47,200,000</u>
OMB identification code: 21-2034-0-1-051	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1998</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for procurement, production, and modification of ammunition and accessories for specialized equipment and training devices. This proposal would rescind appropriations for the ARMS Initiative and Provision of Industrial Facilities. Additional resources are not required at this time to achieve the objectives of these programs.

ESTIMATED PROGRAM EFFECT: The Department of the Army's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
1,062,817	1,046,297	-16,520	-9,440	-11,328	—	-5,192	-2,832

DEPARTMENT OF DEFENSE
PROCUREMENT
Other procurement, Army

Of the funds made available under this heading in Public Law 104-61, \$5,800,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>2,730,694,000</u> (P.L. 104-61)
BUREAU: Procurement	Other budgetary resources.. \$ <u>102,300,000</u>
Appropriations title and symbol: Other procurement, Army 216/82035	Total budgetary resources... \$ <u>2,832,994,000</u>
OMB identification code: 21-2035-0-1-051	Amount proposed for rescission..... \$ <u>5,800,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1998</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for construction, procurement, production, and modification of vehicles, including tactical, support, and non-tracked combat vehicles; communications and electronics equipment; and other support equipment. This proposal would rescind appropriations for Automatic Data Processing Equipment (ADPE). ADPE projected requirements will be met without these funds.

ESTIMATED PROGRAM EFFECT: The Department of the Army's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
2,501,685	2,500,682	-1,003	-2,233	-1,102	-812	-406	-162

R96-15

DEPARTMENT OF DEFENSE

PROCUREMENT

Procurement of ammunition, Navy and Marine Corps

Of the funds made available under this heading in Public Law 104-61, \$10,000,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>430,053,000</u> (P.L. 104-61)
BUREAU: Procurement	Other budgetary resources.. \$ <u>10,000,000</u>
Appropriations title and symbol: Procurement of ammunition, Navy and Marine Corps 176/81508	Total budgetary resources... \$ <u>440,053,000</u>
OMB identification code: 17-1508-0-1-051	Amount proposed for rescission..... \$ <u>10,000,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1998</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for construction, procurement, production, and modification of ammunition for the Navy and Marine Corps. This proposal would rescind appropriations for procurement of 81 mm high-explosive (HE) ammunition. The current inventory of this ammunition meets projected requirements.

ESTIMATED PROGRAM EFFECT: The DoD's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
294,739	289,969	-4,770	-2,400	-1,300	-900	-430	-100

R96-14

DEPARTMENT OF DEFENSE
PROCUREMENT
Shipbuilding and conversion, Navy

Of the funds made available under this heading in Public Law
104-61, \$9,200,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY**Report Pursuant to Section 1012 of P.L. 93-344**

AGENCY: Department of Defense	New budget authority..... \$ <u>6,601,958,000</u> (P.L. 104-61)
BUREAU: Procurement	Other budgetary resources.. \$ _____
Appropriations title and symbol: Shipbuilding and conversion, Navy 176/01611	Total budgetary resources... \$ <u>6,601,958,000</u>
OMB identification code: 17-1611-0-1-051	Amount proposed for rescission..... \$ <u>9,200,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 2000</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for construction, acquisition, or conversion of Navy vessels, and procurement of critical, long leadtime components and designs for vessels to be constructed or converted in the future. This proposal will rescind appropriations for procurement of Fast Patrol Craft. The current inventory of patrol craft meets projected requirements.

ESTIMATED PROGRAM EFFECT: The Department of the Navy's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
7,226,078	7,225,609	-469	-1,684	-2,006	-1,711	-1,325	-1,030

DEPARTMENT OF DEFENSE

PROCUREMENT

National guard and reserve equipment

Of the funds made available under this heading in Public Law 104-61, \$13,600,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>777,800,000</u> (P.L. 104-61)
BUREAU: Procurement	Other budgetary resources.. \$ _____
Appropriations title and symbol: National guard and reserve equipment 976/80350	Total budgetary resources... \$ <u>777,800,000</u>
OMB identification code: 97-0350-0-1-051	Amount proposed for rescission..... \$ <u>13,600,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1998</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides procurement of aircraft, missiles, tracked combat vehicles, ammunition, other weapons, and other procurement for the reserve components of the Armed Forces. This proposal would rescind appropriations for procurement of miscellaneous equipment for the Marine Corps Reserve and C-26 aircraft. Funding for procurement of equipment for the Marine Corps Reserve is provided within the appropriation, Procurement, Marine Corps. The current inventory of executive transport aircraft exceeds projected requirements.

ESTIMATED PROGRAM EFFECT: The DoD's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
945,737	944,717	-1,020	-3,781	-4,121	-2,584	-1,102	-544

DEPARTMENT OF DEFENSE
RESEARCH, DEVELOPMENT, TEST, AND EVALUATION
Research, development, test, and evaluation, Army

Of the funds made available under this heading in Public Law
104-61, \$9,600,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>4,781,272,000</u> (P.L. 104-61)
BUREAU: Research, Development, Test, and Evaluation	Other budgetary resources.. \$ <u>930,735,751</u>
Appropriations title and symbol: Research, development, test, and evaluation, Army 216/72040	Total budgetary resources... \$ <u>5,712,007,751</u>
OMB identification code: 21-2040-0-1-999	Amount proposed for rescission..... \$ <u>9,600,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1997</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for basic and applied scientific research and development, test, and evaluation, including maintenance, rehabilitation, and lease and operation of facilities and equipment. Funds proposed for rescission are for Space Applied Technology, Wave Net Technology, Natural Gas Boiler Demonstration, and Battery Maintainer System. Either no funding for these projects is planned after FY 1996, or work to achieve similar ends is funded elsewhere.

ESTIMATED PROGRAM EFFECT: The Department of the Army's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
5,082,522	5,077,050	-5,472	-3,264	-509	-173	-77	-48

R96-18

DEPARTMENT OF DEFENSE
RESEARCH, DEVELOPMENT, TEST, AND EVALUATION
Research, development, test, and evaluation, Navy

Of the funds made available under this heading in Public Law
104-61, \$39,800,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY

Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>8,586,700,000</u> (P.L. 104-61)
BUREAU: Research, Development, Test, and Evaluation	Other budgetary resources.. \$ <u>25,650,294</u>
Appropriations title and symbol: Research, development, test, and evaluation, Navy 176/71319	Total budgetary resources... \$ <u>8,612,350,294</u>
OMB identification code: 17-1319-0-1-051	Amount proposed for rescission..... \$ <u>39,800,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1997</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, and lease and operation of facilities and equipment. Funds proposed for rescission are for Air Systems and Weapons Advanced Technology (Advanced Antiradiation Guided Missile), Submarine Tactical Warfare Systems (Submarine Special Operations Support Development), and Medical Development (General Medical Development and Blood Storage Research). No funding for these projects is planned after FY 1996, or work to achieve similar ends is funded elsewhere.

ESTIMATED PROGRAM EFFECT: The Department of the Navy's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
8,397,081	8,374,833	-22,248	-12,537	-3,264	-796	-438	-159

DEPARTMENT OF DEFENSE
RESEARCH, DEVELOPMENT, TEST, AND EVALUATION
Research, development, test, and evaluation, Air Force

Of the funds made available under this heading in Public Law 104-61, \$58,000,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>12,845,476,000</u> (P.L. 104-61)
BUREAU: Research, Development, Test and Evaluation	Other budgetary resources.. \$ <u>2,100,000,000</u>
Appropriations title and symbol: Research, development, test and evaluation, Air Force 576/73600	Total budgetary resources... \$ <u>14,945,476,000</u>
OMB identification code: 57-3600-0-1-051	Amount proposed for rescission..... \$ <u>58,000,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1997</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, and lease and operation of facilities and equipment. Funds proposed for rescission are for Metal Fatigue Monitoring Technology and Infrared Signature Control. Also proposed for rescission is funding for Space and Missile Tracking Systems Low. Acceleration of this project is not needed.

ESTIMATED PROGRAM EFFECT: The Department of the Air Force's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
11,953,848	11,930,648	-23,200	-26,564	-4,988	-2,030	-870	-116

R96-20

DEPARTMENT OF DEFENSE

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

Research, development, test, and evaluation, Defense-wide

Of the funds made available under this heading in Public Law 104-61, \$67,200,000 are rescinded.

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Defense	New budget authority..... \$ <u>9,244,775,000</u> (P.L. 104-61)
BUREAU: Research, Development, Test, and Evaluation	Other budgetary resources.. \$ <u>216,265,000</u>
Appropriations title and symbol: Research, development, test, and evaluation Defense-wide 976/70400	Total budgetary resources... \$ <u>9,461,040,000</u>
OMB identification code: 97-0400-0-1-051	Amount proposed for rescission..... \$ <u>67,200,000</u>
Grant program: ☐ Yes ☒ No	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other _____
Type of account or fund: ☐ Annual ☒ Multi-year: <u>September 30, 1997</u> (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other _____

JUSTIFICATION: This appropriation provides for basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, and lease and operation of facilities and equipment. Funds proposed for rescission are for Anti-Satellite (ASAT), Natural Language Text, Software Manager's Network, Rapid Acquisition of Manufactured Parts, Integrated Weapons System Data Base, Small Satellites, and Point Source X-ray Lithography. No funding for these projects is planned after FY 1996, or work to achieve similar ends is funded elsewhere.

ESTIMATED PROGRAM EFFECT: The DoD's ability to accomplish its mission successfully would not be affected by this rescission proposal.

OUTLAY EFFECT: (in thousands of dollars):

FY 1996 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
9,055,535	9,026,303	-29,232	-26,880	-8,064	-1,008	-1,008	-269

4/8 8:00pm Fax edit Melanne Verueer 60244
per Todd ✓

4/8/96

Veto Message for H.R. 1833

I am returning without my approval H.R. 1833, which would prohibit doctors from performing a certain kind of abortion. I do so because the bill does not allow women to protect themselves from serious threats to their health. In refusing to permit women to avail themselves of this procedure when their lives are threatened or when their health is put in serious jeopardy, the Congress has fashioned a bill that is surely unconstitutional, just as it is surely contrary to sound public policy.

I have always believed that the decision to have an abortion generally should be between a woman, her doctor, her conscience, and her God. I support the decision in Roe v. Wade protecting a woman's right to choose, and I believe that the abortions protected by that decision should be safe and rare. Consistent with that decision, I have long opposed late-term abortions except where necessary to protect the life or health of the mother. In fact, as Governor of Arkansas, I signed into law a bill that barred third trimester abortions, with an appropriate exception for life or health.

The procedure described in H.R. 1833 has troubled me deeply, as it has many people. I cannot support use of that procedure on an elective basis, where the abortion is being performed for non-health related reasons and there are equally safe medical procedures available.

There are, however, rare and tragic situations that can occur in a woman's pregnancy in which, in a doctor's medical judgment, the use of this procedure may be necessary to save a woman's life or to protect her against serious injury to her health. Medical conditions can develop at a stage in the pregnancy such that the use of this procedure becomes the best or the only feasible way of preserving the life or the serious health interests of the woman, including her ability to have children in the future. In these situations, in which a woman and her family must make an awful choice, the Constitution requires, as it should, that the ability to choose this procedure be protected.

I cannot sign H.R. 1833, as drafted, because it fails to protect women in such dire circumstances -- because by treating doctors who use the procedure in these tragic cases as criminals, the bill poses a danger of serious harm to women. This bill, in curtailing the ability of women and their doctors to choose the procedure for sound medical reasons, violates the constitutional command that any law regulating abortion protect both the life and the health of the woman. The bill's overbroad criminal prohibition risks that women will suffer serious injury.

I earlier proposed to Congress that it pass appropriate legislation regarding this procedure. I told Congress that I would support H.R. 1833 if it were amended to make clear that the

prohibition did not apply to situations in which the selection of the procedure, in the medical judgment of the attending physician, was necessary to preserve the life of the woman or avert serious adverse health consequences to the woman. A bill amended in this way would have struck a proper balance, reserving this troubling procedure for those rare circumstances where it is necessary.

Congress chose not to take this sensible and constitutionally appropriate path, instead either ignoring or trivializing concerns about protecting women from serious health risks. As a result of this Congressional indifference to women's health and safety, I cannot, in good conscience and consistent with my responsibility to uphold the law, sign this legislation.

Melanne
Verveer
66244

~~faxed~~
96 APR 8 P7:50

April 8, 1996

Melanne -

OK?


4-8-96

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: Veto of H.R. 1833 -- "Partial Birth" Abortion bill

Your advisors (Melanne, George, Counsel's Office and others) seek your guidance on how you want to handle the veto of this bill, which will probably be scheduled for Thursday (last day for action is April 17). All agree that the veto event should be relatively low-key, but three different options have been discussed:

Option 1: You sign privately. No press. (There could be a White House photo.) This has the advantage of keeping the veto, which is highly unpopular with pro-life and religious groups, as low key as possible. The disadvantage is that it may look as though you are trying to hide the veto -- something that won't work anyway and won't look forthright.

Option 2: You first meet privately with a woman who has a powerful story to tell. White House photo only. You then sign the veto message in the Oval with the woman accompanying you before the pool. In your brief remarks, you would reference your conversation with her, but she would not speak. Public Liaison has been in touch with a number of women who have moving stories to tell -- women, for example, who were staunchly pro-life but came to see, through their own painful experience, that, on rare and painful occasions, this procedure is necessary to save a women's life or spare her truly serious adverse consequences to her health. This option puts a human face on why you are vetoing the bill.

Option 3: You meet with the woman privately, but do not bring her into the Oval Office for the signing; you sign the veto message alone before the pool. This option enables you to refer to the story you have heard, but does not put a human face on the issue to the degree Option 2 does.

George and Melanne favor Option 2.

Option 1___ Option 2___ Option 3___ Discuss___



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

April 8, 1996

THE PRESIDENT HAS SEEN
4-8-96

Dear Mr. President:

The purpose of this letter is to bring you briefly up-to-date on ONDCP activities. The first 30-days in office have been extremely positive.

Where ONDCP has been:

- Youth: The last 30-days have been a total immersion education on drug challenges in America. The White House Leadership Conference in Greenbelt continues to generate positive feedback. The optimism and energy of our young people are remarkable. Gave the closing address to 8,000 adult and youth leaders at the 19th Annual Parents' Resource Institute for Drug Education (PRIDE) Conference in Cincinnati last week. ONDCP will focus as our top priority on educating America's youth about the consequences of illicit drug abuse.

- Crime: Met with a number of law enforcement and drug experts: U.S. Attorney Alan Bersin, DEA Administrator Tom Constantine, Empower America co-director Bill Bennett, and FBI Director Louis Freeh. Talked to the annual conference of senior FBI leaders. Was the plenary speaker at the Treatment Alternatives to Street Crime (TASC) Conference in Chicago. Visited the Cook County Jail to learn more about their jail alternative treatment programs which have produced incredibly successful results. Also had productive discussions with Mayor Richard Daley and the Chicago Crime Commission.

- Congress: Senate visits included Minority Leader Tom Daschle (D-SD), Judiciary Subcommittee member Charles Grassley (R-IA), Caucus on International Narcotics Control member Bob Graham (D-FL), and Judiciary Subcommittee Ranking Minority member Joe Biden (D-DE). House visits included Treasury, Postal Service, and General Government Appropriations Subcommittee Chairman Jim Lightfoot (R-IA), Appropriations Committee Chairman Bob Livingston (R-LA), and International Relations Committee Chairman Ben Gilman (R-NY). Was the breakfast speaker with 32 Congressmen of the House Bipartisan Working Group on Drugs. Also briefed members of the House Bipartisan Committee on Government Reform and Oversight before their trip to Latin America.

- Reallocation of \$250 million from the DoD FY 96 budget: ONDCP forwarded its recommendation for budget reallocation based on excellent interagency cooperation and coordination. Our proposal contains an appropriate balance of near-term, high payoff programs that support the priority initiatives contained in your counterdrug strategy. OMB Director Alice Rivlin and the ONDCP team will meet today to discuss legislative strategy.

- National Counterdrug Strategy: A final draft is currently out to the interagency for staffing. Projected publication is by the end of the month. Suggest that the first meeting of the new Cabinet Council on Counternarcotics would be an opportune time to announce the new national drug strategy. We are currently working with your staff to establish a date.

- International Initiatives: Headed the High Level Contact Group to Mexico City. A trip report was submitted to the White House and interagency last week. We are optimistic that this binational contact group can measurably improve the effectiveness of U.S.- Mexico bilateral drug cooperation. Deputy Attorney General Jamie Gorelick, Principal Deputy Under Secretary of Defense Jan Lodal, Assistant Secretary of State (INL) Bob Gelbard, and Assistant Treasury Secretary for Enforcement Jim Johnson were enormously effective members of the team. Will follow up by meeting with the Mexican mission again in El Paso at the end of June.

The way ahead: Four major themes will guide ONDCP's priorities and actions in the next 30-90 days.

- ***Reach out to educate America's youth.*** Will speak at the Drug Abuse Resistance Education (DARE) Day luncheon later this week that will include over 500 students, educators, and law enforcement officials. We will begin working the New York ad agencies, T.V., and Hollywood on the anti-drug message to American youth.

- ***Continue to organize our nation's leading drug treatment and law enforcement experts at national and state and local levels.*** Will meet with Dr. John Nelson (Board of Trustees, American Medical Association), John Gustafson (Executive Director, National Association of State Alcohol and Drug Abuse Directors), FBI Director Louis Freeh, U.S. Customs Administrator George Weise, Admiral Bob Kramek (U.S. Coast Guard Commandant and Interdiction Coordinator), and Mr. Alan Leshner (Director, National Institute on Drug Abuse) during the month. Will also travel to New York in mid-April to visit the Center for Addiction and Substance Abuse and the Partnership for a Drug Free America. This visit will also involve a visit to the Phoenix House Long Island facility, an evening roll call and police patrol with NYPD counternarcotics task force Lieutenant Jim Bradley, and meetings with Mayor Rudolph Giuliani and Police Commissioner Safer.

- ***Protect our borders.***

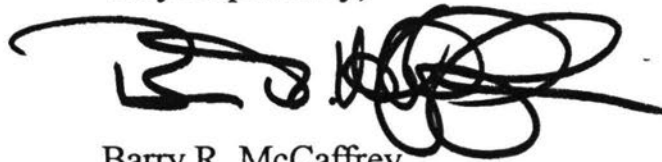
- **The Southwest:** Discussions with U.S. Attorney Alan Bersin last month resulted in an ONDCP initiative to convene a Southwest Border Summit in El Paso in June 96. An ONDCP representative is out west this week to gather information and begin coordination with the U.S. Attorney's office. Will make a trip to the border area next month to continue discussions with Mr. Bersin.

- The Southeast: Will visit Miami later this month to help organize support for this major High Intensity Drug Trafficking Area (HIDTA). Our goal is to pursue a more effective and coherent strategy that addresses challenges that arise from Puerto Rico and the Caribbean.

- *Continue the momentum of our international initiatives.* Will co-chair the U.S.-Mexico Binational Committee Meeting with Attorney General Janet Reno in Mexico City next month. Additionally, we are planning the second meeting of the U.S. - Mexico Binational High Level Contact Group in El Paso in May. Intend to also devote attention to the critical challenge posed by Burma (major source of heroin), Colombia, and the Andean Ridge (major sources of cocaine). Will meet with these foreign ambassadors in concert with State throughout April to exchange insights as to how we may be able to enhance movement toward more effective regional counterdrug cooperation. Will work closely with State to set up trips to Burma (August 26-30) and to Panama and Colombia (September 24-27).

In summary, the quality and dedication of the interagency team we are pulling together to address the many aspects of the drug issue is impressive. I am enormously encouraged by the cooperation and intensity of support I encounter in the Executive Branch and also in Congress. The news media have also been extremely positive in their coverage of the issues and our efforts. Will continue to keep you and Vice President Gore informed of our progress, and ask for your personal leadership on some key initiatives in the coming months.

Very respectfully,

A handwritten signature in black ink, appearing to read 'Barry R. McCaffrey', with a large, stylized flourish at the end.

Barry R. McCaffrey
Director

President William J. Clinton
President of the United States
1600 Pennsylvania Avenue, NW
Washington, DC 20500

4.8.96

THE WHITE HOUSE
WASHINGTON

95 APR 6 P1:45

April 4, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: Response to Attacks on the Minimum Wage

As you know, Republican Members of Congress attacked your proposal to raise the minimum wage this week, citing a *Time* magazine article from 1995 that quotes you as saying in 1993 that you thought that raising the minimum wage was "the wrong way to raise the incomes of low-wage earners."

But, an exhaustive search of all your statements, speeches, and interviews, and comments as President confirms that you did not say any such thing,

Attached is our one-page response to this claim, accompanied by a chronology of your support for a minimum wage increase -- as governor, candidate, and President.

The DNC and Re-Elect are distributing variations of this response to opinion leaders and validators across the country. The DNC has also released a letter to wire services and news bureaus pointing out the inaccuracy of the *Time* magazine quote. Democratic Members of Congress are also using this paper to respond to these attacks.

Theresa

When I
saw for
Pres-1
celebrated
Nancy
Mintley

The Business Enterprise Trust

Norman Lear

1. *Be: Alex* ✓ 4/4
Pen ✓ 4/4
2. *Pres.*

March 28, 1996

*Norman Lear
on Corp.*

Resp THE PRESIDENT HAS SEEN
4-8-96

Laura

*They should be
involved - it's a great
group - BC*

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Director of Finance

Marilyn A. Turner
Program Associate

Laura M. Wattenberg
Research Associate

VIA FEDERAL EXPRESS

President Bill Clinton
The White House
1600 Pennsylvania Avenue
West Wing
Washington, DC 20500-2000

Dear Mr. President:

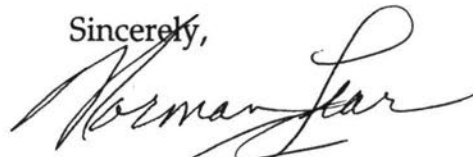
I was excited to read yesterday about your campaign to promote corporate citizenship, starting with an April 10th White House meeting.

The Business Enterprise Trust now has 25 compelling videotape profiles of exemplary companies; a new book about their achievements, due to be published in September; business case studies now being distributed by Harvard Business School Publishing to hundreds of schools; an extensive database on socially innovative management; and greatly admired board members and awardees eager to commend business leadership that combines sound management with social conscience.

These emerging innovations in business must not be miscast as benighted corporate do-gooding; they must be persuasively presented as smart, rigorous management that bolsters competitive performance.

The Trust is uniquely positioned to help you in this effort and would be pleased to do so. This issue needs your leadership.

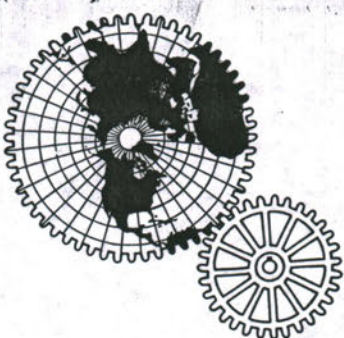
Sincerely,



Norman Lear

NL/mt

(Dictated on vacation but not read)



POLYCONOMICS, INC.

Political and Economic Communications

Jude T. Wanniski

President

86 Maple Avenue

Morristown, NJ 07960

Tel. 201-267-4640

Fax. 201-539-4025

Laura - what do you
mean of this?
- cc Reich / Rubin
How should I reply?

April 2, 1996

The Honorable Bill Clinton
President of the United States
The White House
Washington DC 20500

THE PRESIDENT HAS SEEN

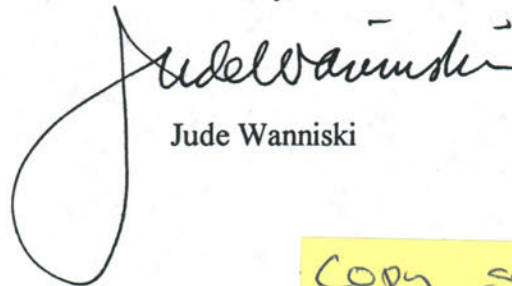
4/8/96

Dear Mr. President:

The paper I enclose, simply titled "Economic Growth," is my best effort in describing the *crisis in capitalism* that we see manifest these days in massive *underemployment*. It is so much different than anything you are likely to see from conventional sources, left or right, that I send it in hopes it will help you better understand our country's core problem -- a contraction of real wages that really began 30 years ago.

There are many possible solutions to the problem, but unless you get the diagnosis right, the chances of stumbling into the right prescription are dramatically reduced. I tried to write the enclosed with you especially in mind. If you find time to tackle it, I think you will at least find it provocative. I'm afraid there are no conventional solutions to the problem.

Sincerely,



Jude Wanniski

Copy sent to
Tyson only

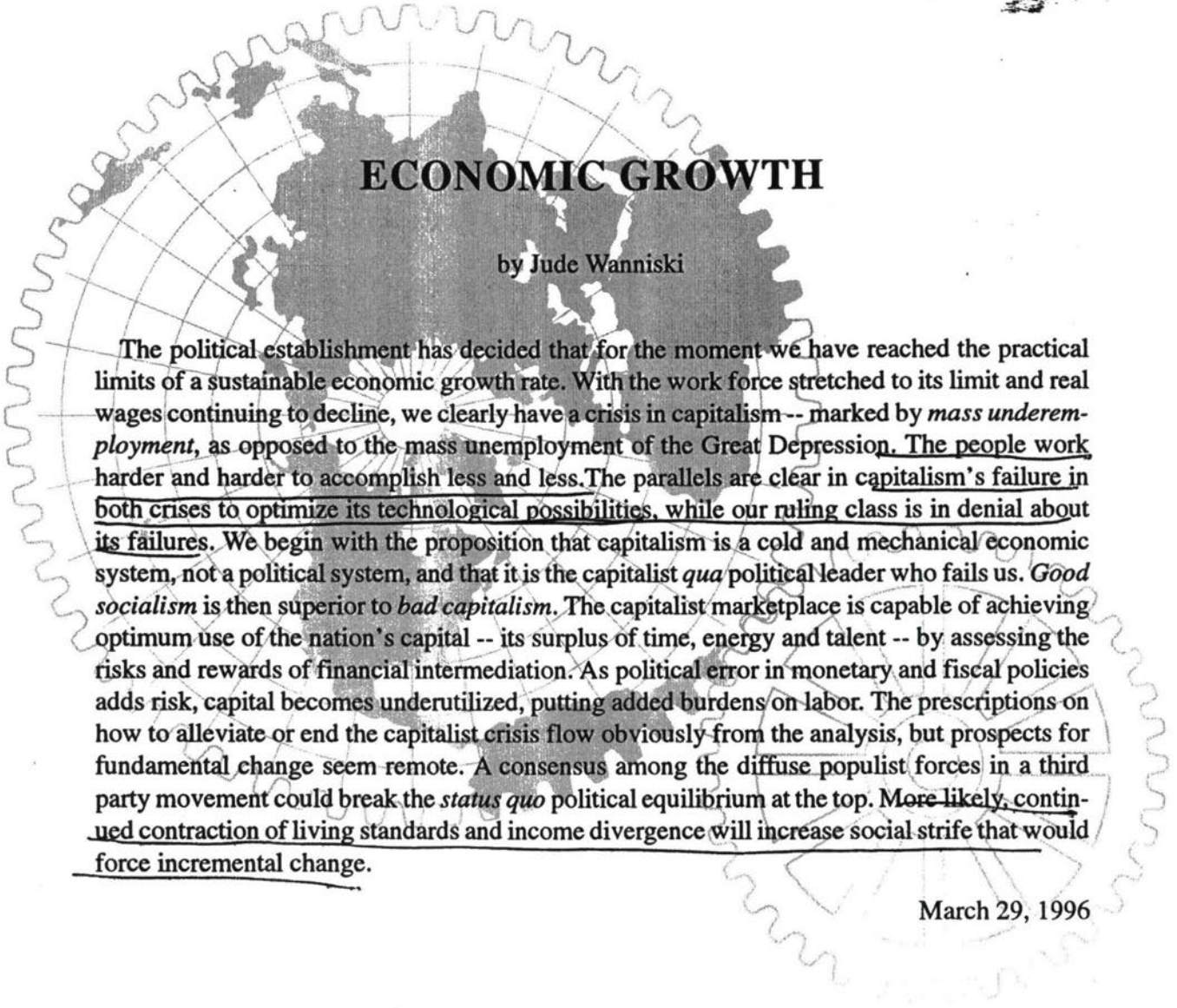
Should we send to

	yes	no
Reich	☒	☐
Rubin	☒	☐

per POTUS note?

160113

The Political Economy in Perspective



ECONOMIC GROWTH

by Jude Wanniski

The political establishment has decided that for the moment we have reached the practical limits of a sustainable economic growth rate. With the work force stretched to its limit and real wages continuing to decline, we clearly have a crisis in capitalism -- marked by *mass underemployment*, as opposed to the mass unemployment of the Great Depression. The people work harder and harder to accomplish less and less. The parallels are clear in capitalism's failure in both crises to optimize its technological possibilities, while our ruling class is in denial about its failures. We begin with the proposition that capitalism is a cold and mechanical economic system, not a political system, and that it is the capitalist *qua* political leader who fails us. *Good socialism* is then superior to *bad capitalism*. The capitalist marketplace is capable of achieving optimum use of the nation's capital -- its surplus of time, energy and talent -- by assessing the risks and rewards of financial intermediation. As political error in monetary and fiscal policies adds risk, capital becomes underutilized, putting added burdens on labor. The prescriptions on how to alleviate or end the capitalist crisis flow obviously from the analysis, but prospects for fundamental change seem remote. A consensus among the diffuse populist forces in a third party movement could break the *status quo* political equilibrium at the top. More likely, continued contraction of living standards and income divergence will increase social strife that would force incremental change.

March 29, 1996

POLYCONOMICS, INC.

Political and Economic Communications

86 Maple Avenue • Morristown, New Jersey 07960 • (201) 267-4640

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ECONOMIC GROWTH

You may have noticed, all of a sudden, everyone is talking about economic growth and how fast the United States can and cannot grow. All the political talk shows have discovered the topic and are chattering about real wages, income inequality, and middle-class anxiety. *The New York Times* recently ran a seven-part series on America's downsizing, inferring that we must become accustomed to a new era of slow growth. In the *NYTimes* Sunday "Week in Review" of March 17, the lead article by Louis Uchitelle is given over to the dismal news that the U.S. economy absolutely cannot grow faster than 2½%, and that everyone in the know realizes this harsh fact, but they are all afraid to say so publicly. Lawrence Mayer, a distinguished professor of economics nominated to the Federal Reserve, advised the Senate Banking Committee in his confirmation hearings that the U.S. is now at full employment, and the committee unanimously approved his nomination. Various Establishment spokesmen, such as Robert Samuelson of *Newsweek*, are out and about spreading the news that things are better than ever, even though people do not realize how good they have it.

The chatter is being driven by the presidential election year, of course, with the Ruling Class being forced to contend with the fact that the voters are unhappy with the state of the economy. There is irritation in the Establishment with the ideas of Steve Forbes and Pat Buchanan, each of whom tapped into the economic anxieties of ordinary people. A meager 2½% growth rate leaves those people at the bottom half of the socio-economic pyramid on the knife edge of desperation. Alas, the Ruling Class insists this is about as good as it is likely to get, whether Democrats or Republicans are in power. Here is what Uchitelle found after surveying the movers and shakers:

The candidates challenge each other with conflicting nostrums for generating growth. Push the right buttons, they say, and presto, the economy will boom. What they don't debate is whether strong growth -- the sort that will raise living standards and make layoffs less frequent -- is in fact possible.

Such growth is not possible, according to the great majority of American economists. No campaign formula, whether from Republicans or Democrats, Steve Forbes, or Patrick J. Buchanan, will change that stark reality for the rest of this century. "The candidates are promising what no President can deliver," said Robert M. Solow of the Massachusetts Institute of Technology, a Nobel laureate in economics.

History and circumstance, in sum, have locked the United States into a level of economic growth that, measured against expectations raised by the 1996 Presidential campaign, is politically unacceptable. "It might be good for our politics if some candidates acknowledged this," said William Kristol, editor of the *Weekly Standard* and a Republican strategist, addressing an issue that most politicians don't, in public.

How depressing. Here is America's democratic capitalism finally triumphant after a century of wars against absolutist monarchy, fascism and communism, yet the best it can do is sputter along indefinitely at growth rates that trap most of our citizens on a treadmill without hope. Thirty years ago, academic economists accepted the rule of thumb that the economy had to grow at a 3% annual rate just to break even on job creation, given population growth and technological advance. Even a 2½% growth rate is measured by the national income accounts in a way that masks a continuing decline in real wages and national living standards. Gross National Product numbers are swollen by an ever-increasing fraction of the work force that is required to deal with social pathologies and economic volatility -- lawyers and accountants, welfare caseworkers and corrections officers, financial service personnel, a fast-food industry and child-care industry that are necessary in a world of single-parent or two-breadwinner families.

What is especially distressing about the current national discussion regarding this pitiful level of

economic growth is that the two major political parties seem to have decided that nothing much can be done about it. The Clinton administration and Democratic congressional leaders are so bereft of ideas that they can only propose an increase in the minimum wage! (Because California is so important in the Electoral College, the President does make repeated trips there to promise more construction of military aircraft.) The Republican leadership, Bob Dole in the Senate and Newt Gingrich in the House, has shamefully given up again on even a minor adjustment in the capital gains tax -- the one growth ingredient of their 1994 mandate. Instead, the GOP has painted itself into a balanced-budget corner, promising "middle-class" voters it has targeted a \$500 cash handout for each kiddie in the family. They will do this as soon as they can persuade the Democrats to cut enough spending out of other social programs to finance those Santa Claus handouts. We find ourselves despairing along with Ralph Nader, a fellow populist of a different stripe, who told the *Times* on March 26: "Every four years the choice between the bad and the worst gets worse.... There comes a time when civic society doesn't have a chance, when government is dominated by one major corporate party with two heads, Democratic and Republican."

While pondering this state of affairs, by sheer coincidence I recently read James Burnham's 1941 treatise, *The Managerial Revolution*, written after a decade of mass unemployment. Our problem today is not quite the same. We have plenty of jobs, but a capitalist crisis of mass *underemployment* of our work force. Too many people have to labor longer and harder in order to get the nation's daily work done, which is reflected in the decline in real wages for the past 30 years. In the capitalist welfare states of Europe, things are even worse, with both massive unemployment and massive underemployment. Still, a capitalist crisis is a capitalist crisis, and we surely are having one now.

Burnham, who had been a Trotskyist and later a conservative social philosopher identified with *National Review*, looked over the landscape of the 1930s -- when unemployment at one point exceeded 20% -- and boldly predicted the imminent end of capitalism. What would replace it? Not socialism or communism, but something similar to the *ism* identified with Nazi Germany. If we put aside the

negatives about Adolf Hitler, he suggested, we can note that in the first two years of his regime, he ended mass unemployment. And he did so in a way that produced a dynamic, non-inflationary economy. How? By putting smart managers in charge of the entire economy in order to overcome the inadequacies of the free market. "Capitalism is no longer able to use its own technological possibilities. One side of this is shown by such facts as the inability of the United States to carry out a housing program, when the houses are needed and wanted and the technical means to produce them in abundance are on hand. (This is the case with almost all goods.)"

The regulation of production in Germany is no longer left to the market. What is to be produced, and how much, is decided, deliberately, by groups of men, by the state boards, and bureaus and commissions. It is they that decide whether a new plant shall be built or an old plant retired, how raw materials shall be allotted and orders distributed, what quotas must be fulfilled by various branches of industry, what goods shall be put aside for export, how prices shall be fixed and credit and exchange extended. There is no requirement that these decisions of the bureaus must be based on any profit aim in the capitalist sense. If it is thought expedient, for whatever reason, to produce, for example, an *ersatz* rubber or wool or food, this will be done even if the production entails, from a capitalist point of view, a heavy loss. Similarly, in order to accumulate foreign exchange or to stimulate some political effect in a foreign nation, goods will be exported regardless of loss. A factory may be compelled to shut down, even though it could operate at a high profit. Banks and individuals are forced to invest their funds with no reference to their private and voluntary opinions about "risks" from a profit standpoint. It is literally true to say that the Nazi economy, already, is not a "profit economy."

Irving Kristol, 15 years younger, made the same traversal, from Leon Trotsky to conservative social philosopher, and knew Burnham well. He tells me Burnham's views in 1941 were hardly unusual, and

were commonplace especially in Europe. A great many people had come to the conclusion that capitalism had been a *stage* of historical development, one that could no longer deal with its own technological inventiveness. The mass unemployment of the Great Depression had persisted for so long that it would have been surprising if the intelligentsia had not questioned the continued relevance of the capitalist idea. The depression continued until WWII, despite (or because of) the best co-operative efforts of President Roosevelt and the capitalist Ruling Class to put America back to work. Try as they might to get things going by devaluing the dollar or by raising taxes to balance the budget, stagnation persisted. Burnham was, of course, wrong about the death of capitalism, but he was prescient at least in seeing the arrival of the *managed economy*. In the paragraph quoted above, we can see the foreshadowing of the government's management of our national economy during the last 30 years.

For another real time perspective on the crisis in capitalism of that era, among the best I've read is the 1939 two-volume journal, *America at Midpassage*, by Charles and Mary Beard. In it, the distinguished historians take a first cut at history in a way that recreates the anxiety of the moment -- the events that would transform the "Golden Glow" of the 1920s into grave doubts about the reliability of capitalism and the free market. The work opens with this giddy picture:

After the long and toilsome rise, American civilization reached, at the summer solstice of Normalcy, the high plateau of permanent peace and prosperity -- in the general opinion of business organizers, bankers, guardians of the National Shrine in Wall Street, bond salesmen, grateful holders of stocks, lawyers, doctors, editors, writers, columnists, artists, architects, actors, philosophers, economists, scientists, engineers, teachers, professors, women of the leisure class, the aristocracy of labor, and the politicians of the right direction. Notes of jubilee drowned the plaintive cries of the farmers and the queasy doubts of querulous critics. According to the golden appearance of things, ingenuity would create novelty upon novelty, gadget upon gadget, to keep the nation's machines whirling;

inevitably, outlets would be found for the accumulations of capital and the torrents of commodities; and employment would be afforded for laborers befitting their merits and diligence. Articles for comfort and convenience, devices for diversion and amusement were multiplying with sensational rapidity, giving promise of a satisfaction even more gratifying. Corporations were swelling in size, holding companies were rising to dizzy heights, the tide of liquid claims to wealth was flooding in. Since, it was thought, the morale of the nation was grounded in ineradicable virtues and sustained by a beneficent religion, American civilization was well fortified against all varieties of untoward experience.

Fast forward in the book to p. 107 and we find the Beards quoting from a report of the U.S. Chamber of Commerce of December 1931, when there were already 5 million unemployed: "To an onlooker from another world, our situation must seem as stupid and anomalous as it seems painful to us. We are in want because we have too much. People go hungry while our farmers cannot dispose of their surpluses of food; unemployed are anxious to work, while there is machinery idle with which they could make the things they need. Capital and labor, facilities for production and transportation, raw materials and food, all these essential things we have in seeming superabundance. *We lack only applied intelligence to bring them fruitfully into employment.* This condition has led to a host of suggestions for national planning."

The simple sentence, written 65 years ago, is still relevant today: "We lack only applied intelligence to bring them fruitfully into employment." Why is there so much want when we have so much? How have we come to accept the idea of a high level of *structural unemployment*? Why does it take two breadwinners to do the job that one did prior to the last 30 years of decline in real wages? Must our children and grandchildren anticipate a perpetual decline in national living standards, even as the best educated grow wealthier in the new Information Age? Must we conclude there has been yet another failure of capitalism at just that moment we should be rejoicing in the defeat of communism? Must we think anew about national industrial planning that might include

elements of trade protectionism? What do we know and what do we lack in our applied intelligence about the nature of economic growth? Let's ruminate on the state of the art.

* * * * *

What we should admit to begin with, if we can, is that *good socialism* is better than *bad capitalism*. The logic of the statement is really inescapable. It is only when capitalism fails that people and nations resort to alternative forms of political economy. A socialist system that is working well is one that is fully deploying the nation's resources through a central plan that has the approval of the people. It would be superior to a capitalist system that is working so poorly that its adherents must find excuses for mass unemployment, widely diverging income classes, and deepening social pathologies. The price paid for any form of socialism is the loss of some degree of individual freedom, but when the only alternative is *bad capitalism* of the type described, a people willingly pay that price. In that sense, the capitalism that defeated Soviet socialism in the Cold War did not necessarily end the competition between systems. At least theoretically, we might imagine a new outbreak of stagflation here that causes an explosion of social pathologies and a sharp decline in living standards. At the same time, we can imagine a reconstituted Russian socialism, one that permits more market signals and more personal freedoms than the variety that collapsed. This could bring about a new competition having a different outcome. Good capitalism, though, is superior to socialism at its best. I think we know enough to make capitalism function the way it should, with an economy of labor, ever-increasing living standards for ordinary people, and increased personal freedom as well. The crisis in capitalism exists because the Ruling Class does not like or want the changes that we have proposed for the past 20 years, and has no alternative solution -- other than a managed economy. What is it that capitalism must do to perform to its ideal?

What must any system accomplish? At the core, *it must provide a method by which its smallest constituent unit, a household, can save the surplus of its day's work for the day when it cannot work*. This is because the highest priority of any unit of political economy is self-survival. The risks to survival are reduced by agreements among separate units to pool

their resources. This enables those with a temporary surplus to share with those in temporary deficit. The family unit itself is such a system, which enables the young to draw upon the productive resources of their parents, returning the resources when their parents are too old to be productive. Civilization began with *speech* that enabled neighboring families and neighboring clans to contract with each other through verbal IOUs. "Money," as a *palpable* medium of exchange, soon followed as an extended form of commercial speech.

It is only in the last four centuries, though, that money began to overtake verbal transactions or the bartering of goods as the primary means of exchange. In earlier epochs, through the Middle Ages, only a minority of people ever saw money. And then, it was employed almost exclusively as a means of exchanging one set of goods for another -- not for developing longer-term contracts between people who normally would not come into physical contact with one another. In these earlier epochs, such "bond transactions" were generally limited to government finance of war or public works or church finance of cathedrals. Capitalism is a system by which *ordinary people* can exchange their daily surplus time, energy or talent (their capital) for claims on the future production of others. Its viability rests on its internal mechanisms for assessing the risks attendant to such exchanges of goods for promises. Even in the most primitive forms of political economy at the dawn of civilization, a family that pooled its resources with its neighbors had to be adept at assessing the reliability of its neighbors in holding up their end.

Modern capitalism has evolved to a level of sophistication that permits the largest and most liquid pools of capital. It is held together by a vast and elaborate mechanism for assessing risks and creditworthiness -- a mechanism that is known as *the free market*. The modern mechanism is so close to perfection that it is a waste of time for any of us to devote resources to getting it closer to perfection. That is, the broad U.S. marketplace itself is 99% as good as it can possibly get, in terms of pricing goods and assets and assessing risks and return on investment. Information on every industry and enterprise is readily available and already flows at lightning speed. The financial service industry will continue to evolve in one direction or another, but it will have to do that

just to stay at 99% efficiency. Its limits are not in its structure, but in the quality of analysts available to correctly assess and price information. At the other extreme, as Professor Reuven Brenner of McGill University points out, are the new financial markets in China, which must traffic in information about industry and enterprise that is always suspect -- there being no tradition of open communication of bad news and good. *It is, after all, the political marketplace that is still far short of its optimum levels of efficiency, in China at a maximum, or in the United States, at a minimum. As just one example, the U.S. economy would perform better if the regular meetings of the Federal Reserve Board were open to the public.*

Capitalism, we must always remind ourselves, is not a political system, but an economic one. The distinction is extremely important, for it frees supporters of capitalism from having to defend it as a caring or compassionate institution, which it is not. It is coldly mechanical. Capitalism in and of itself functions according to the law of the jungle, as amended by the laws of man. *At the margin, capitalists will do anything the law allows in seeking profit.* If 999,999 capitalists leave something on the table, at its legal and moral edge, there will be one to take it up, especially if it means survival. And why not? A letter to *The New York Times* on this subject caught my eye on March 14, "What Capitalism Means," by Eli Zaretsky, a visiting professor at New York's New School: "Capitalism by itself produces only greed and exploitation. The great successes of the modern epoch are due to social movements like populism, progressivism, new deal liberalism, socialism, feminism, movements for racial equality and even communism, that have insisted that profit be tempered with social concerns." This sounds harsh, but it is not an unreasonable position. *By itself*, capitalism could be as savage and Darwinian as Karl Marx supposed it would become.

In this country, however, capitalism is not by itself, but is twinned with the kind of active democracy that even Marx allowed could save it from extinction. Democracy does so by tempering profit with social concerns, although Prof. Zaretsky would have to agree that profit can be tempered to death, and that profit occurs only by putting capital at risk. Marx himself understood that it would be silly for a capitalist to buy "C" commodities for an "M" amount of money,

as he put it in *Capital*, with the object of then selling them for the same "M" amount. The capitalist buys "C" commodities -- including labor as a commodity -- hoping to sell the new product for "M + 20%," Marx suggested. If he has guessed wrong or the market has shifted, the capitalist may be forced to sell at "M - 50%." There is no doubt that Marx, as a classical economist, understood that the capitalist must be rewarded for putting capital at risk. Unless there is risk-taking, there can be no growth. "M" will remain "M."

Now carry the impressions forward to the modern mechanisms of the market-- the banks, credit unions, insurance companies, stock and bond markets, and all other market elements that can extend or withhold capital. They absorb the total mass of capital, assess myriad demands upon it and dispense it in little bits and pieces according to a schedule of likely returns on investment. In aggregate, the mechanisms are necessarily cold and mechanical, though within the mechanism there are kindly and generous country bankers making bets on unlikely credit applicants. The mechanism of the market, of course, sorts out those kindly and generous country bankers who make bad bets, for the highest priority of an institution is self-survival. In the same way, the mechanism of the market will reward those icy, gimlet-eyed investment bankers who bet on only sure things that turn out to be sure things. In between, there is a Bell Curve of some incompetents and many competents who comprise the market mechanisms, reckoning with varying degrees of precision the return-on-investment (ROI) for the organic mass of a nation's capital.

This mechanism will calculate ROI just as precisely when the central government imposes confiscatory taxes on capital at risk as it does when it absolves it of any tax. The market does not care. It is cold and mechanical, in the end as automatic as the tote board at a race track. It grinds out its dispensation of the bits and pieces of capital it absorbs as long as it calculates *positive odds* for ROI. When the odds turn negative, it stops accepting capital that it cannot dispense. Even kind and gentle country bankers will hesitate and retreat when they confront an obvious bad credit. We frequently encounter kind and gentle investors who tell us they do not care that their investment income is heavily taxed. They will invest anyway. We are sure they are telling us the honest

truth, but they are not on the margin. The cold and mechanical market is absorbing their gifts of capital along with all others who *casually* contribute capital. The greater returns go to those who are not so casual, just as serious horseplayers over time will outperform the casual bettor. The nation as a whole benefits by having its capital -- the surplus time, energy and talent of all its members -- wisely invested.

It is when a nation's political system fails its economic system -- when the market mechanism must refuse to finance unemployed resources because of a persistent negative ROI -- that the masses have little choice but to turn to socialism. The body politic will permit the capitalist ruling class some reasonable margin for error, but it cannot permit either mass unemployment or a persistent decline in living standards that threaten the basic family unit. As they did in the 1930s, ordinary people will use the democratic political system to force socialist policies into play when capitalism fails. The social safety net we now have is the refined product of the American electorate of the 1930s. Without having the benefit of a democratic political system, the people of Russia in 1917 produced a much less refined safety net.

Capitalism did not fail in the Great Depression because profit was burdened with social concerns. *It failed because the capitalist ruling class saw an opportunity to increase its profits by an increase in the protective tariff* -- using its political muscle to push Smoot-Hawley through the Republican Congress and persuade President Hoover to sign the legislation. This was a blatant intervention in the market, not for the usual purpose of increasing government revenues, but to engineer a social outcome desired by Big Business. Instead of producing the desired effect, the big tote board on Wall Street crashed as ROI suddenly went negative on a host of capital investment dependent upon international trade. Capitalists had only themselves to blame for the New Deal that followed, with its myriad market interventions on behalf of the working class -- the labor legislation, minimum-wage mandates, farm programs, social security and public power programs that offended the sensibilities of *laissez-faire* advocates. Once the capitalist Ruling Class uses the tax system to redistribute income instead of raising revenues, how can it complain when populists appear with demands that the tax system be used simply to soak the rich? Because they had no

better choice, the masses accepted the diminution of personal freedoms that government market intervention inevitably entails.

Survival requires risk-taking. If the capitalist market mechanism will not accept the risks of financing enterprise that will enable ordinary people to exchange with each other the fruits of their labor, it makes perfect sense to have government take on those risks. Conceptually, an elite socialist team at the center replaces the capitalist financial services industry. The private market mechanism essentially buys up all the nation's productive output and then sells it according to market pricing signals -- taking a cut to cover its work and its risk. The public mechanism also buys up all the nation's production, but redistributes it according to a plan. The difference is that a socialist system must ignore most of the signals that bear on ROI, taking all the risks inherent in putting everyone to work and absorbing losses that result from errors in the plan. Socialist systems that retain broad elements of market price signals can mitigate such errors, as Sweden has for many years. The experiments in total planning broke down in the USSR and Communist China as planning errors -- usually the result of clogged communication channels -- came to dominate the economies. This meant less and less freedom for the work force. In the end, interlocking state monopolies came to operate at a fraction of planned capacity because of persistent interruptions in the supplies of one critical part or another. Mass unemployment had been eliminated, but production of goods and services was imploding.

Since 1978, China has been gradually restoring market mechanisms capable of better allocating the nation's enormous pool of unutilized capital. Its ruling class remains understandably wary of headlong experiments in *laissez-faire* capitalism or popular democracy, instead moving incrementally on both political and economic fronts. The former Soviet Union, persuaded by the West to throw itself headlong into capitalism via "shock therapy," has quickly produced the rudimentary market mechanisms for assessing ROI. The confiscatory tax and unpredictable monetary systems adopted by Moscow, though, guarantee that almost all private initiatives face a negative after-tax return on invested capital. The nation's social fabric continues to disintegrate as only an underground Mafia of privileged entrepreneurs

amasses great wealth, paying modest bribes instead of murderous taxes. It is in the interest of this privileged class to maintain this corrupt status quo, which is why the masses once again are tempted to turn to the state and the Communist Party for relief. Unhappily, the western economists who advise the democratic government of Boris Yeltsin have little appreciation for the role the market plays in assessing macroeconomic tax and monetary risks to capital investment.

As evidence of this statement, we need only understand that one of the favorite nostrums of economists who advise socialist countries is *privatization* of state enterprise. The reason that a nation socializes an enterprise or an industry in the first place is that it is unable to produce profitable returns to capital in the private sector. Through much of Latin America during the past several decades, the banks themselves have been socialized and privatized and socialized again. When the tax and monetary authorities are working reasonably, banking can be profitable. When tax rates become confiscatory and currencies become unpredictable, the owners of private banks suddenly see merit in selling their assets (non-performing loans) to the state for prices that appear to be bargains, but which in fact represent taxpayer bailouts of the capitalist class.

In England after World War II, the electorate replaced the Conservative Party and Winston Churchill with the Labor Party and Clement Atlee. Had the Tories pledged to scale back the confiscatory wartime tax rates, which reached 96% at the highest marginal rate, the voters would have had a better choice than socialization of industry. Not until Margaret Thatcher in 1979 did the Tories run on a platform of tax reduction to expand the economy. Prime Minister Thatcher was forced to resign in 1991 when the Tories became unpopular. This followed the Thatcher government's sharp increase in the tax on capital gains. PM Thatcher made the mistake of following the lead of the United States in the 1986 Tax Act, which lowered the tax rate on ordinary income, but raised the capital gains tax to 28% from 20%. The Canadian Tory government made the same error, following Washington's lead, and neither the Conservative Party nor Canada has recovered as yet from the mistake.

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The capital gains tax is not the only tax that bears upon the market's assessment of ROI, but it is by far the most important. Even in Nazi Germany, Hitler's Finance Minister Hjalmar Schacht was careful to exempt capital gains on corporate shares from taxation. No historian of whom I am aware has noted the importance of this policy as the Third Reich's way of rewarding the capitalist class. Ordinary tax rates remained extremely high during the 1930s, but as long as the state rewarded industrial monopolies with government contracts, their shares climbed in value. The Ruling Class could not live on its after-tax income, but could live well by liquidating tax-exempt capital gains. In the United States in the same period, President Roosevelt was persuaded to "soak the rich" with an increase in the capital gains tax in 1937, in the midst of the Great Depression. The higher rate produced a further economic contraction, "a depression within the Depression," and in 1938 the Democratic Congress took it upon itself to roll back the tax increase. In the British Commonwealth countries, even when tax rates on dividends and interest -- "unearned income" -- approached 100%, their governments prior to 1988 carefully exempted capital gains.

As the only explicit tax on successful risk-taking, any capital gains tax is counter-productive. When the market mechanism sees a capital gains tax of 100%, it stops cold. The market will continue to accept capital from individuals who face a lower rate, either on the scale of progressive rates or through loopholes. If the capital gains rate is 100% for everyone in the system, though, all *legal* enterprise will eventually stop in its tracks. One way or another, all paper assets -- promises and claims -- are underpinned by human toil and initiative. When there is no possibility of gain through risk-taking, there might still be people willing to convert surplus time, energy or talent into paper promises that might at least hold their own -- debt over equity. But over time, economic implosion is as inevitable as it was in the USSR, when elitist plans were overwhelmed by error. Telescoped down to the family unit, a 100% tax on capital gains is the equivalent of parents being prevented from educating their children. (Education is a critical form of capital; what an individual or a family or a nation state learns today, it can use tomorrow.)

But with risk
A 28% tax on capital gains that have not been indexed against inflation can be almost as bad as a 100% rate, depending upon the expected rate of inflation. This is because almost any new enterprise must have sufficient capital to see it through at least five years of market demands and struggle before it can feel a bit secure. The market mechanisms that absorb and dispense capital must cope with the monetary variable in reckoning the true after-tax ROI. Riskier enterprises cannot hope to find capital and credit in an inflationary environment, even without the compounding effect via capital gains taxation, because sources of capital simply disappear. Sources of capital become more plentiful in a deflationary environment, but those who might otherwise employ that capital are discouraged by its high real interest costs in a world of falling nominal prices. As a matter of simple arithmetic, the risks to capital in a combination of inflation and unindexed capital gains are at a maximum. It makes little difference that most market allocation of capital does not directly consider the capital gains tax, only risk-taking that cannot be insured. But as Chicago economist Frank Knight postulated almost 80 years ago, uninsurable risk-taking is the ultimate source of all economic growth.

In a U.S. economy that would suddenly shift to a gold-standard with no tax on capital gains, untapped capital would rapidly flow into the marketplace and be dispensed according to a steepening schedule of risks. We could not predict how the market's "invisible hand" would allocate the capital. It may even be that fewer enterprises would be initiated, while those already in existence would take on added capital and grow faster. It follows from this hypothesis that any marginal increase in the volatility of the dollar price of gold will cause less capital to flow into the market, with less available for deployment on any schedule of risks.

A mature enterprise that has all or most of its capital gains behind it does not need a gold standard or zero capital gains taxation in order to coax working capital out of those who have it, promising to repay it with interest or dividends. Big Business is generally risk averse, which puts it at the lower end of the schedule of risks when capital is available. There actually are complications which arise for Corporate America out of a surplus of capital. This tends to restrain the capitalist class's support for genuine capital formation

-- an observation of Ludwig von Mises on the right as well as Marx on the left. The most worrisome complication for Big Business is that policy changes that enhance the flow of capital to the market put upward pressure on the price of labor. The American Council for Capital Formation, for example, is a Big Business Washington lobby, which technically supports a lower tax on capital gains, but which spends little of its time or resources toward that end. Instead it pushes and shoves on Capitol Hill for tax breaks that fall into the category of corporate socialism, which do nothing to draw capital to fledgling enterprise. Given the choice of ending the capital gains tax or ending the double taxation of dividends, it would of course choose the latter. Oddly, the Council in 1977-78 was the driving force behind the capital gains tax cut that passed at the time, but that was when its members were still the fledgling enterprises of Silicon Valley. It has since matured along with its members.

A dramatic increase in the flow of capital to the market would have the unusual effect of *eliminating jobs* over time. Where it now takes two breadwinners to earn what one did formerly, an infusion of capital would enable one to do the work of two. The composition of the work force would also change, of course, as there would be a dramatic decline in the number of Americans needed to tend to social pathologies and economic volatility. In many cases, employees would not have to leave their desks to switch jobs, however. Lawyers and accountants, bankers and bond salesmen would shift mental gears to serve an economy in expansion instead of retreat. The global demand for U.S. white-collar expertise in a *Pax Americana* would swell college ranks again. Corporate America would be forced to automate faster, as blue-collar workers would be bid up in wages or move back to their higher-paid one-breadwinner families.

It is, after all, not enough to focus only on capital formation from the investment side, merely because that happens to be the current crisis of capitalism. Recall that England got the "British disease" of stagflation in the years following World War II. Yet at the time it was part of the Bretton Woods gold standard and there was no tax on capital gains. The problem then was that *labor* was still being taxed at the very high rates that remained in place from World War I, and interest and dividend income was being

taxed at confiscatory rates; "unearned income," as it was called by British socialists, faced surtaxes that brought the top marginal rate to 96%. Socialized heavy industry and transportation drew upon the government for working capital, but for the most part Brits with surplus time, energy or talent found negative ROI in the private marketplace and chose government employ instead. Until Maggie Thatcher arrived, "going for growth" in England meant running up government spending in Keynesian fashion and occasionally devaluing the pound, which of course produced the phenomenon of stagflation.

Even when tax and monetary policies are at an absolute ideal, other political monkey wrenches always can throw the economy into a tailspin. Domestic tax and monetary policies could hardly have improved in 1929, when Corporate America decided to get greedy on the protective tariff. Governments can prevent upstart, entrepreneurial growth through regulations that appear to be fair because they face all business equally. But regulations that bear equally on the old and the new, the big and the small, the rich and the poor, always favor the old, the big and the rich -- like a poll tax. There is still enough entrepreneurial spirit and political clout in the United States to fend off business mandates on health care and wages, of the kind favored by the Fortune 500, because they already meet them. Throughout Europe, established corporations support strict bankruptcy laws for newcomers, while the United States still has room for repeated business failures. In much of Asia, small businesses encounter crushing tax and regulatory mandates once they manage to cross a relatively low income threshold, which keeps entrepreneurial Asia at the mom-and-pop level.

The United States still is the last, best hope of mankind, if there ever is going to be an example set here on the best path to economic growth through democratic, entrepreneurial capitalism. *The answer is not technological advance and never has been.* All the new toys and technologies of the Roaring Twenties did not prevent the Great Depression and World War II. We are well into the Computer Age and the Information Age, yet four-fifths of the population of the world still has not reached the modest living standards Americans and Europeans enjoyed at a comparable stage of the Industrial Revolution. The argument that the rising tide of technological

innovation will lift all boats is self-serving elitist dogma. It is as useless in solving the capitalist crisis in the world today as its counter-argument, the modern Luddite assertion that the capitalist crisis has been caused by too much technology.

Both sides of this technology debate avoid the central problem that the country has an enormous amount of work to do *that does not require either new technology or the skills required to deal with advanced technology.* We are talking here of the need to rebuild or repair the nation's housing stock and its infrastructure of roads, bridges, sewer systems, water works, public buildings, and transportation systems. The skills required for this kind of work for the most part do not require much more than a good grade school education and an apprentice program in which old carpenters train young carpenters. Most of the basic skills that go into flipping hamburgers in a fast-food restaurant can, with a little training, produce high paid chefs in upscale restaurants. Underground entrepreneurs in the inner cities who peddle drugs and sex can, with a little capital and training, come above ground and peddle widgets. Most of the unutilized capital in the United States today is in the minds and hands of the 127 million ordinary Americans who comprise the work force. If only the market could finance their exchange of that surplus time, energy and capital, the added capital would quickly enable the same number of people to produce twice the goods and services they are producing now. The added capacity to produce wealth would enable many to quit and tend to the home economy. Instead, we now have senior citizens who thought they had retired driven back into the work force as the purchasing power of their pensions disintegrates. The country is functioning at not more than half of its capacity -- not at its limits, as the experts are now telling us. If there is a technology problem, it is as James Burnham wrote 55 years ago: "Capitalism is no longer able to use its own technological possibilities."

Yes, there are high-paid mid-management workers being displaced by computers, even 40,000 at a whack at AT&T. If capitalism were dealing with this technological advance, the 40,000 surplus workers would be seen as a national dividend, to be redeployed at higher levels of utility, not a drag on the system. They would be grabbed up by new enterprise as fast as they were cut loose by AT&T, at higher paying

jobs. When capitalism was working well, the 40,000 displaced blacksmiths or buggy whip workers were being snapped up by Henry Ford at wages they had not even dreamed about. *The crux of the problem is not a surplus or dearth of technology. It is a breakdown in financial intermediation -- the ability of the market to finance the exchange of relatively simple tasks, because of the risks attached to a floating currency and almost confiscatory taxation of capital.* (Even putting aside the tax on capital gains, Gary and Aldona Robbins of Fiscal Associates in Arlington, Va., reckon the marginal tax on business capital at 66.3%, an all-time peacetime high.)

If the United States were to adopt optimum monetary, tax, and regulatory policies, it would certainly have to encourage the rest of the world to follow its example. If we are now among the most efficient of capitalist economies in the world, and are struggling at half our capacity, think of how far behind we would leave the rest of the world if we were operating at optimum speed. Our growth would be a great problem for the Establishment, which now encourages open immigration in order to attract more cheap labor. Our capitalist Ruling Class normally does not encourage other countries to grow rapidly, instead dispatching the International Monetary Fund to discourage emerging markets from emerging. Explosive growth in the United States would pull the work force out of Mexico even faster than the present rates. As we did observe in the Reagan years, though,

our supply-side successes were quickly copied by much of the developed world.

At the moment, prospects for this kind of fundamental change seem remote. Not only are the two major political parties moving away from plans for basic reform, they are also persuading themselves that the nation is in an economic equilibrium that is about as good as we can expect. Ross Perot and Pat Buchanan and Steve Forbes and Ralph Nader -- the four political populists who in different ways have identified the anxieties at the bottom of the socio-economic pyramid -- are each moving in different directions. They know that the folks at the bottom sense they are at a knife edge of desperation. They don't seem to agree upon any formula that could force change at the top -- and thus appear to be dissipating as a political force that could threaten those at the top. The only possible solution may be a third party that unites the populists around central views upon which they could agree, which would force the two major parties controlled at the top to compete for their votes. Without this kind of dynamic, the *status quo* of continued contraction could tip anxieties over the knife edge, and political change could result from social strife. The Million Man March may have been the last peaceful one. Then again, perhaps we can avoid such unhappy options through incremental change. We would then simply have to wait another four years for the kind of necessary economic growth we have described here.

* * * * *

Don Baer - Inq. Pres

Maybe something
in there?

BK

THE PRESIDENT HAS SEEN
4/8/96

Mr. President -

I thought this
might come in handy
and give you a chuckle
at the same time.

L

10-17-95

One-Liner Jokes for All Occasions



Add COLOR and ZEST to all your
Personal and Business
COMMUNICATIONS

Letters

Speeches

Talks

Family Evenings

Political Conventions

Alone at Night

Radio and Television

At the Beach

Conversations

Schools

In Planes, Trains and...

On Desert Islands

You Name It!

by Henry W. Haverstock

THE WHITE HOUSE
WASHINGTON

April 6, 1996

THE PRESIDENT HAS SEEN
7/9/96

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
PHIL CAPLAN *PC*
HELEN HOWELL

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

- (A) **Study on effect of cigarette advertising on teens and adults.** Via Sec. Shalala. Study focussed on the nine most popular brands and covered period from 1979-93. Advertising expenditures had 3 times greater effect on teens than adults. Regardless of intent, the differential effect of advertising on teens was clear. Study did not look at whether cigarette advertising *caused* kids to start to smoke, focusing instead on how advertising affected brand preference. Other studies, including the 1994 Surgeon General's Report, say cigarette advertising is a risk factor for starting to smoke.
- (B) **Rivlin memo on DOD Business Management University teaching facility.** Senator Kennedy has asked for your support to establish this teaching facility in Southbridge, Massachusetts, and Alice now reports that OMB has devised a method to fund and execute a capital lease for the facility. DOD can now finalize the leasing arrangements with the developer and the town of Southbridge, and Alice expects that construction and renovation work will begin by the end of the summer. She encloses her draft letter informing Senator Kennedy of the decision.
- (C) **Quinn follow-up on "The Bicycle Club."** 60 Minutes recently did a segment on this California casino that was criminally forfeited to the U.S. Marshals Service in 1990 and is still owned and operated by the Service. The show was critical of DOJ's handling of the matter because: 1) criminal activity including money-laundering, loan sharking, and distribution of illegal drugs continues in the casino; 2) the manager is incompetent and associates with known mobsters; and 3) the U.S. government should not be in the casino business more than 5 years after the forfeiture. It appears that the Marshals Service will succeed in selling the club in the near future. Jack will monitor the situation and keep you informed.
- (D) **Follow-up on Miramar uprising.** Via Leon. This 320-bed facility (a U.S. Navy Brig) was opened on March 14 and serves as interim detention space for a

Good
cc: CTS
Amelia
We need this fixed
1/2 - why
didn't we
shoot it
away

do follow up
7/9/96
7/9/96
7/9/96
7/9/96



THE DIRECTOR

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN
11/8/96

April 4, 1996

96 APR 4 P3:25

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin *Alice*

SUBJECT: The Defense Business Management University Southbridge Project

As you may recall, Senator Kennedy has asked for your support regarding a project to establish the Department of Defense Business Management University's (DBMU) teaching facility in Southbridge, Massachusetts.

Due to difficult and complex funding issues, the project has not progressed beyond the planning stages. But, after working with the Department of Defense, we are pleased to report that we have devised a method to fund and execute a capital lease for the DBMU teaching facility in Southbridge, Massachusetts.

This plan funds the project within the constraints placed upon the Administration in the FY 1996 Defense Appropriations and National Defense Authorization Acts. DoD now can finalize the leasing arrangements with the developer and the town of Southbridge; we expect that construction and renovation work there will be underway by the end of the summer. DoD officials believe that initial occupation will begin late in FY 1996 or early FY 1997, with full operations commencing in FY 1998.

Attached for your information is a draft letter to Senator Kennedy informing him of this decision.

Attachment

Dear Senator Kennedy:

After working with the Department of Defense, we are pleased to report that we have devised a method to fund and execute a capital lease for the Defense Business Management University teaching facility in Southbridge, Massachusetts. This plan funds the project within the constraints placed upon the Administration in the FY 1996 Defense Appropriations and National Defense Authorization Acts. DoD now can finalize the leasing arrangements with the developer and the town of Southbridge; we expect that construction and renovation work there will be underway by the end of the summer. DoD officials believe that initial occupation will begin late in FY 1996 or early FY 1997, with full operations commencing in FY 1998.

We appreciate the interest and support you have shown regarding the Southbridge project, and we look forward to working with you and your staff in the future.

Sincerely,

Alice M. Rivlin
Director

THE WHITE HOUSE
WASHINGTON

April 6, 1996

THE PRESIDENT HAS SEEN
4/8/96

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PHIL CAPLAN
HELEN HOWELL

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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
4/8/96

96 MAR 29 P6:36

March 27, 1996

MEMORANDUM TO THE PRESIDENT

FROM: JACK QUINN

RE: "The Bicycle Club"

In a recent note you asked for information concerning "The Bicycle Club," a California casino that was criminally forfeited to the U.S. Marshals Service in 1990 and is still owned and operated by it. A recent 60 Minutes segment severely criticized the Department of Justice's handling of the matter on several grounds: (1) that it is the venue for continuing criminal activity including money laundering, loan sharking, and distribution of illegal drugs; (2) that the manager is incompetent and associates with known mobsters; and (3) that the U.S. government has no reason to still be in the casino business more than five years after the forfeiture. California Attorney General Dan Lungren was featured prominently in the broadcast, and was also highly critical of DOJ's management of the Club.

The attached memorandum, which was prepared by DOJ, provides an overview of the matter. Fortunately, it appears that the Marshals Service will succeed in selling the Club in the near future. We will monitor the situation and keep you informed.





Office of the Attorney General
Washington, D. C. 20530

MEMORANDUM

TO: White House Counsel

FROM: John Hogan
Chief of Staff *John M. Hogan*

SUBJECT: Briefing Information for Media Inquiry into the Bicycle Club

A majority interest in the Bicycle Club, a card casino in Bell Gardens, CA that was financed with \$12 million in drug proceeds from a large scale marijuana smuggling operation, was criminally forfeited to the Marshals Service. The government has had an ownership interest in the club since 1990. For much of that time, a court appointed trustee has overseen the government's interest in the Club.

There have been allegations of mismanagement by the Marshals Service and the court appointed trustee, claims of ongoing criminal activity at the Club, and complaints that the Marshals Service has moved too slowly to sell the Club. These allegations were the subject of a hearing before the Senate's Permanent Subcommittee on Investigations (Roth-Chair) on March 19. The primary complaining witnesses were the Club's General Manager, its Director of Security, and the trustee's former counsel.

In response, Department of Justice witnesses, including the Director of the Marshals Service, explained that (1) the government had to seize the interest in the Club because of massive money laundering of drug funds; (2) the government's interest in the Club is an enormously difficult asset to sell and, far from dragging its heels, the Marshals Service is anxious to sell the Club as soon as possible; (3) the Club has remained profitable under the trustee's management; and (4) to the extent allegations of criminal activity at the Club have surfaced, the Marshals Service and the trustee have reported them to the appropriate authorities.

Press accounts following the hearing have focussed on the anomaly of the federal government's "owning" a gambling casino and the inability of the Marshals Service to sell the Club, but also have remarked that the Marshals Service desires to do so. It is expected that 60 Minutes will run a segment on the Club this Sunday, which is likely to be critical.

The Marshals Service believes it is close to a sale of the Club, and it will continue to monitor activity at the Club until it is sold.

4-8-96

successful criminal alien prosecution effort in the Southern District of California. Launched in 1995, the program targets criminal aliens who attempt to reenter the U.S. after deportation, and has resulted in a 745% increase in Federal court felony prosecutions. On March 29, a small number of Federal inmates who were dissatisfied with the canteen privileges there set mattresses on fire in protest. The fire involved two of the four housing units at the facility, and caused 24 inmates to be sent to local hospitals for treatment for smoke inhalation. As of March 31, 3 inmates remained in critical condition. The fire was quickly controlled, there was no rioting, and no use of weapons by either inmates or law enforcement authorities. The U.S. Attorney for the Southern District of California believes that although the Miramar incident was unfortunate, it should not deter us from reopening the facility as soon as possible.

- (E) Clips from the "One Strike and You are Out" event. From Rahm: "Coverage of the event was extensive and very positive. We did exceptionally well in the Mid-West."
- (F) Marilyn Yager note on meeting with consumer groups about product liability bill. Marilyn, Leon, Alexis and Bruce held a strategy meeting on March 26, and the groups expressed their appreciation to you for your opposition to the Conference Report. Joan Claybrook of Public Citizen passed along a letter critical of the bill.
- (G) Cancer event coverage in The Seattle Post-Intelligencer. From Frank Greer via Don Baer. Good front-page coverage of your FDA/cancer announcement.

We also received the following items:

- Ambassador Dermot Gallagher message. Via Kitty Higgins. A memorial service will be held Wednesday, April 10 in St. Patrick's Cathedral, Dublin for Ron Brown and all those who died in the plane crash.
- McCurry follow-up on interview with Charlayne Hunter-Gault. Mike says you have to do the "News Hour with Jim Lehrer" before the interview with Hunter-Gault for her PBS news magazine, "Rights and Wrongs." You had to cancel your interview with MacNeil/Lehrer last year due to a scheduling conflict. "We promised to fulfill the obligation this year. We are aiming for early June, if possible."
- Note from Rep. Louis Stokes. He thanks you for the concern you expressed during his recent surgery and for your prayers. He expects to be back to work in a few weeks. He also noted, "I look forward to campaigning for you -- and winning."

cc: Alexis/Greer

Should be
water
Meredith
delap

THE WHITE HOUSE

WASHINGTON

April 4, 1996

MEMORANDUM FOR THE PRESIDENT

FROM : MIKE McCURRY *MMC*
PRESS SECRETARY

SUBJECT : INTERVIEW WITH CHARLAYNE HUNTER-GAULT

In response to your inquiry about whether you need to do the interview with Charlayne Hunter-Gault for her PBS news magazine, "Rights and Wrongs", you really have to do the "News Hour with Jim Lehrer" first. We had to cancel your interview with MacNeil-Lehrer last year due to a scheduling conflict. We promised to fulfill the obligation this year. We are aiming for early June, if possible.

96 APR 4 P 1:53

The
**NEWS
HOUR**
with Jim Lehrer

Charlayne Hunter-Gault
National Correspondent

THE PRESIDENT HAS SEEN

3-26-96

THURSDAY, MARCH 21, 1996

THE WASHINGTON POST

AQUARIUS (Jan. 20-Feb. 18):

Color coordination, music figure prominently, domestic adjustment might involve change of status. Break relationship with one who takes you for granted, is mostly self-ish.

PISCES (Feb. 19-Mar. 20): You'll

be consumed by ambition to earn more money. Ambition could be fulfilled! Perfect techniques, contact individual who once promised "Call me any time for a favor." Virgo involved.

IF MARCH 21 IS YOUR BIRTH-

DAY: You are capable of loving more than one person simultaneously. You read more than one book at a time, are versatile, charming, super-sensitive concerning body image. Gemini, Sagittarius persons play leading roles in your life. During April, you could be involved in big business deal. Organize priorities, marital status involved, relationship serious. Travel indicated for May. You might get better distribution for product in foreign land.

This could only refer to the interview on "Rights & Wrongs," the Human Rights television news magazine that I anchor that you said that I anchor two years ago. You would do this before April 15th. PLEASE?!

4-8-96

successful criminal alien prosecution effort in the Southern District of California. Launched in 1995, the program targets criminal aliens who attempt to reenter the U.S. after deportation, and has resulted in a 745% increase in Federal court felony prosecutions. On March 29, a small number of Federal inmates who were dissatisfied with the canteen privileges there set mattresses on fire in protest. The fire involved two of the four housing units at the facility, and caused 24 inmates to be sent to local hospitals for treatment for smoke inhalation. As of March 31, 3 inmates remained in critical condition. The fire was quickly controlled, there was no rioting, and no use of weapons by either inmates or law enforcement authorities. The U.S. Attorney for the Southern District of California believes that although the Miramar incident was unfortunate, it should not deter us from reopening the facility as soon as possible.

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- Note from Rep. Louis Stokes. He thanks you for the concern you expressed during his recent surgery and for your prayers. He expects to be back to work in a few weeks. He also noted, "I look forward to campaigning for you -- and winning."

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Co. Acting
Greene

THE WHITE HOUSE

WASHINGTON

March 26, 1996

96 MAR 29 A10 : 41

MEMORANDUM FOR THE PRESIDENT

FROM:

SUSAN BROPHY *SB*

SUBJECT:

CONGRESSIONAL CORRESPONDENCE

Attached is a letter from Rep. Louis Stokes (D-OH), that I thought you might like to see.

Enclosure



LOUIS STOKES
MEMBER OF CONGRESS
11TH DISTRICT, OHIO

March 12, 1996

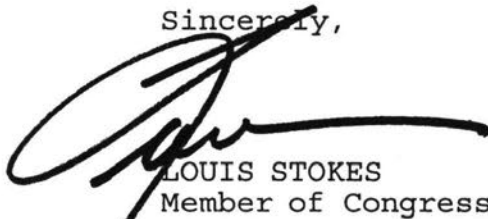
Hon. and Mrs. William Jefferson Clinton
The White House
Washington, D.C. 20500

Dear President and Mrs. Clinton:

It was nice to know during my recent surgery that I had the special concern and prayers which you expressed on my behalf. This is to advise you that the operation was successful and that I am looking forward to being back to work in a few weeks.

Be assured that your concern has been a part of my speedy recovery.

Sincerely,



LOUIS STOKES
Member of Congress

*Your concern is appreciated. I
look forward to competing
for you — and winning!*

4.8.96

the Secretary will address the Illinois PTA and kick off the READ*WRITE*NOW! summer program.

GENERAL SERVICES ADMINISTRATION

*200P
E-Kawing*

• **Federal Civil Aircraft Fleet Reform:** GSA has completed a study which examines the operations of the Federal Civilian Aircraft Fleet. The study, which has not been released, highlights a potential \$84 million that could be realized by disposing of excess aircraft and \$92 million through more efficient management and operation. There is Congressional interest in this study.

OFFICE OF PERSONNEL MANAGEMENT

- **Career Transition for Federal Employees Facing Downsizing:** The Interagency Group (IAG) of executive branch personnel directors has won an endorsement from the Greater Washington Board of Trade for a blue-ribbon panel of area CEOs and senior federal officials to develop electronic linkage between the displaced federal employees seeking jobs and private sector companies seeking experienced workers. OPM is coordinating with OMB and the White House on the appointment and announcement of the new panel.
- **Performance-Based Organizations (PBOs):** OPM has distributed to agencies a "template" or prototype personnel structure with guidelines on steps they might take to get their Performance-Based Organizations off to a fast start. The "template" pointed out 1) flexibilities that already exist on hiring, pay, and job classification and 2) demonstration-project authority that already exists. The Vice President announced the PBO initiative in March.

DEPARTMENT OF STATE

- **Croatia Task Force:** In response to the tragic crash of Secretary Brown's aircraft in Croatia, a Task Force has been established in the Operations Center to assist families seeking information.
- **China/Taiwan:** Since the Taiwan elections, both Beijing and Taipei have shown some signs of restraint without changing their basic positions. Taiwan's leaders have been reaffirming the goal of unification, not independence, and foreshadowing possible gestures toward the mainland. But they have also signalled their intent to continue raising Taiwan's international profile. The PRC has continued to send signals that it accepts the results of Taiwan's recent presidential elections but that Taiwan must take concrete steps to reunify with the mainland.



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

April 5, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

96 APR 5 8:09
THE PRESIDENT HAS SEEN
4/8/96

I would be remiss if I did not begin this report, Mr. President, with a word about the grief felt by all of us at CEQ about the death of Secretary Ron Brown and his Commerce Department colleagues. We are stunned at the loss and wanted to share with you our gratitude to you for speaking so eloquently on all of our behalf at the Commerce Department and the prayer service. It will not surprise you to know that Ron Brown was an inspiration to us, and that we worked together on numerous environmental projects - most recently the President's Council on Sustainable Development. What an extraordinary human being - and what a loss.

SEA WORLD AND SEA LIONS

There is good news regarding the sea lions at Seattle's Ballard Locks. Sea World of Florida, a marine wildlife park in Orlando, owned by a division of the Anheuser-Busch Co., has offered to take permanent custody of the five most problematic animals.

Answer
Sea World contacted the National Marine Fisheries Service office (NMFS) in Seattle earlier this week, offering to take two animals. NMFS persuaded the park to take all five. Sea World has offered to transport the animals to Florida, but has asked that NMFS take responsibility for capturing the animals at the locks and holding them until all five are assembled at a Seattle area zoo.

Sea World and all other zoos and marine parks with federal permits to hold marine mammals were contacted last year and asked if they would agree to hold the problematic sea lions on a temporary basis. None agreed to do so. Sea World has told NMFS that they stepped forward now because of the widespread publicity over the possible trapping and killing of the animals.

The final terms of the arrangement were reached in a conversation between the Vice President and a Sea World official yesterday. The attached front page Seattle Post Intelligencer article highlights the White House role in reaching the deal.

We believe that most people will strongly approve of this outcome. However, some in the animal rights community have already objected to trapping the animals and putting them in captivity. Some in the sportsfishing community believe that the animals should have been killed and are concerned whether this arrangement will make it more difficult to use lethal methods if needed in the future.

There are some possible complexities to the deal. First, only three of the five problem animals have appeared at the locks so far this year. The most problematic animal from previous years ("Hondo" aka "#17") has not appeared--and may show up next year or later this year. Trapping is not guaranteed--the animals are smart and have learned to avoid traps.

Second, it is unlikely this deal can be replicated in future years. These are very hard animals to place and their population is growing.

That said, this is good news. I have contacted Vicky Herman and made sure she knows of your efforts to help the animals. She was very grateful.

EVERGLADES

✓ The Broward County Commission voted late last week to endorse the Administration's Everglades restoration plan. Their resolution specifically endorsed the penny-per-pound assessment on Florida sugar, and noted that "the continued destruction of the Everglades will have a profound impact on South Florida's tourism industry, job base, and water quality...." and "the entities which have benefitted most from current Everglades policies and have contributed greatly to the destruction of the Everglades are currently not paying their fair share for Everglades restoration. . ."

Earlier today, Senator Robert Dole (R-KS) interrupted his vacation to take a helicopter tour of the Everglades, accompanied by ardently pro-sugar Congressman Mark Foley (R-FL). After the flight, he stated his support for the Everglades and his opposition to the proposed penny-per-pound subsidy reduction on Florida sugar, saying in essence that it was the taxpayers' job to clean up the environmental problems created in large part by the sugarcane industry. A wire service story is attached.

✓ The Dole statement came on the same day the Florida environmental community launched an aggressive public campaign to promote their Everglades ballot initiatives. This morning's Miami Herald included a full page ad directed at Sen. Dole. A copy is attached. And, the environmentalists hired a plane that flew overhead of the beach Mr. Dole's condo is adjacent to that carried a banner with seven-foot letters calling Mr. Dole to "SAVE THE EVERGLADES; MAKE BIG SUGAR PAY."

✓ Immediately following the Dole event, we persuaded Governor Lawton Chiles (D-FL) to send a letter to Senator Dole calling on Dole to repudiate his support for the anti-wetlands rider in his pending omnibus appropriations bill and pointing out that one cannot be both "anti-wetlands" and "pro-Everglades."

Senator Dole had just a week ago spoken to Paul Tudor Jones about the sugar assessment, and assured Jones that he would not oppose it. Today's announcement by Dole is virtually certain to trigger an all-out campaign against Dole by the Everglades-related environmental community.

In addition, and significantly, the Governor's letter also asks Senator Dole to support your Everglades proposal and to make it happen in this Congress. A copy of the Governor's letter is attached.

JAPANESE WHALING

The Japanese government is considering expanding its whaling in the Antarctic Sanctuary to include a new species (southern bottlenose whales). If they do so this will increase pressure on you to sanction Japan for its whaling activities. Just two months ago, in a report to Congress, you expressed "particular concern" about any "further expansion of lethal research in the Southern Ocean Whale Sanctuary." These developments increase the importance of discussions between you and Prime Minister Hashimoto on whaling when you visit Japan later this month.

NORWEGIAN WHALING

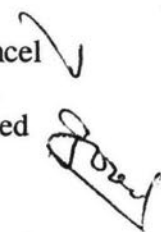
Norway, too, is threatening to increase its whaling activities significantly beyond limits currently allowed by the International Whaling Commission (IWC). Their threatened actions also amount to a violation of an understanding they had reached with us last year that allowed us to avoid imposing trade sanctions on them although we had found them to be in violation of the IWC (and, therefore, our own Marine Mammal Protection Act). If they move forward this year, we will lose all cover and face significant pressure to impose sanctions. The Vice President called prime Minister Brundtland this week to urge her to uphold the agreement they reached with us last year. We await final word but are not optimistic.

TIMBER RIDER NEGOTIATIONS

Earlier this week, USDA and the Forest Service were instructed to make all reasonable efforts to negotiate substitute timber for two sales of old growth forests in Oregon that we are under court injunction to release through the provisions of the timber rider. These sales (ironically named the "First" and "Last" sales) have been highly controversial because of the high degree of environmental damage they would cause and the age (up to 1,000 years old) of the trees. We were even willing to offer the purchasers replacement sales that departed in some measure from the strict requirements of the Forest Plan, and that they could start to harvest this Monday. However, as we head into what is being billed as the final meeting with the contract holders, we hear that they are insisting that the proposed new sales be shielded from litigation for an even longer period of time than the original sales would have been. We have been clear that the provisions of this old growth rider must end on September 30th. If the purchasers walk away over this, I think it will be clear that we have gone the

*isn't it worth that
to save the old trees?*

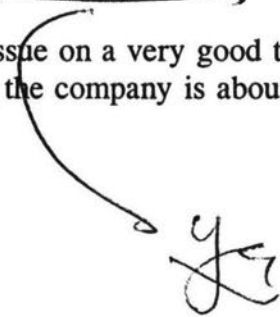
extra 100 miles to try to accommodate them. The next possibility we have is to try to cancel their contracts. The Department of Justice was instructed by the Vice President and Leon Panetta to begin work on a brief supporting cancellation of the contracts, and we have asked to see the brief Monday morning.



NEW WORLD MINE

On Monday I will be meeting once again with the Canadian company that owns the New World mine, near Yellowstone National Park. I will introduce them to our two negotiators (John Schmidt, DOJ and Jim Pipkin, DOI). This meeting will officially launch our negotiation with the company. It is my goal to push this through by early summer.

While there are still significant hurdles, I believe we have this issue on a very good track. We should know within the next several weeks just how serious the company is about developing an agreement. Again, confidentiality is critical.



THE PRESIDENT HAS SEEN

4/8/96

96 APR 5 P5:08

THE WHITE HOUSE

WASHINGTON

April 5, 1996

MEMORANDUM TO THE CHIEF OF STAFF

FROM: RAHM EMANUEL *RE*

SUBJECT: WEEKLY REPORT

Agree
CRIME/DRUGS: The anti-gang event that was scheduled for Wednesday, at the Justice Department, needs to be rescheduled soon. ABC News said they were going to do a story on the announcement and the event is the best anecdote to Senator Dole's attack on the Administration's crime record.

Good
The Office of Drug Policy is ready with two excellent announcements. The first announcement would outline the structure and funding for the "Meth" strategy. The Meth strategy should receive a very positive reaction from both law enforcement and southwest border states. The second announcement would focus on the purpose and goal of the drug strategy. I have submitted a scheduling request for this second announcement on the 30th of April.

Agree
I think both topics are good solid announcements and good inoculation pieces. The timing is essential because I continue to pick-up word that the GOP is preparing to announce their new drug proposals in the coming weeks.

✓ I have asked that the radio address on April 21st be used to commemorate Victims Rights week and the signing of a proclamation.

We need a much better surrogate opinion
I have held my tongue, but I think the President's remarks about Judge Baer backfired. The President's remarks raised the profile of the issue of judicial opinions rather than sideline the issue. Second, his comments were those of a surrogate, not of a President. Those responsible for the issue have let him down. They have not created the type of public and surrogate support he needs.

✓ I am working with Secretary Cisneros on developing a flyer that would put the 'One Strike And You Are Out' guidelines in simple language. The goal is to get these flyers to individual public housing apartments and announce them city by city with residents, police, and housing authorities.

IMMIGRATION: I am working with the New York Times on a story about why the Police groups oppose the Education Amendment to the

immigration legislation. Senator Kyle is planning on introducing the amendment. We are picking up rumors that Senator Dole is thinking of proposing the amendment himself.

✓ We have been successful in keeping the two bills, legal and illegal, separate. This was a major endeavor and we have succeed. Next week we are announcing the Florida immigration plan with the Governor and Lt. Governor of Florida. Originally we were planning on Doris Messiner to be present for the announcement, but I have asked the Attorney General to attend in her place. The event is scheduled for Monday, April 15th in Miami.

WELFARE: Nothing real substantive seems to be going on here which is the problem. I believe progress in this area will be made either by a larger budget deal or a Medicaid/Welfare deal.

We met with HHS staff to prepare the Administration's state by state welfare record. This material will be essential as we head into the campaign.

The states are beginning to pass and forward to HHS for approval, their own welfare plans. I believe this is a set-up for the fall to attack us for not doing welfare reform. If we leave this in the hands of HHS, we will be fighting with state welfare bureaucracies. My suggestion is that we send a letter from the Secretary or the President, communicating support for the broad outline of the state's plan, with the desire to work out the details. This will put the Administration on record showing support.

✓ we have to meet this week
If this is left to Mary Jo at HHS, she will fight with her state counterparts and we will be left with a major political problem on our hands.

② **PENSIONS:** Gene and I have been meeting with an inter-agency group to prepare for the Pension announcement on Thursday. The announcement will cover pensions, portability, and protection.

ELECTION: We must begin to frame many of these issues in preparation for the campaign. I want to frame the upcoming campaign around raising incomes and raising children. If we can reiterate this, and concentrate on the words stability and security, we will be in a better position this summer.

THE PRESIDENT HAS SEEN
4/8/96

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

April 5, 1996

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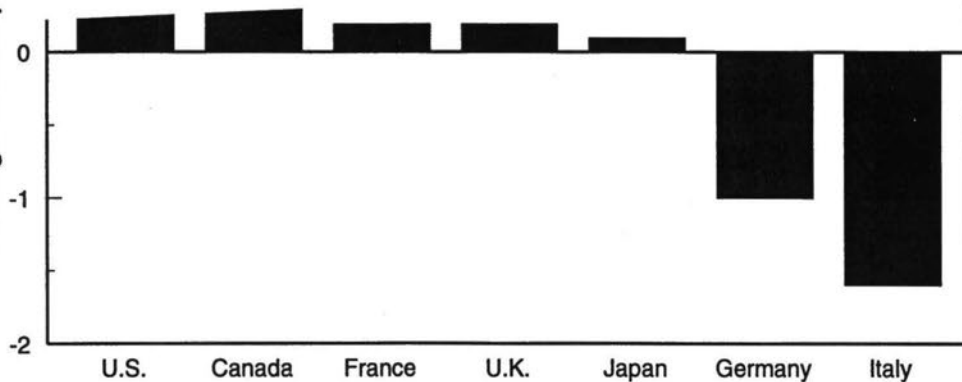
THE PRESIDENT HAS SEEN

4/8/96

We need to discuss
this before I go to Japan
lets have an Econ Meeting
this week

Boc

Average annual percent change



Note: Data are based on household surveys.

The United States experienced the fastest rate of job growth among G-7 countries over the period 1993-95. Only Canada had similar job growth, while other G-7 countries experienced negligible job gains or outright decline. The stronger performance of the United States in part reflects the strength of our recovery from recession in the early 1990s compared to economic conditions abroad. In Europe, however, stagnant employment also reflects structural features of labor markets that have slowed job growth to a standstill since the 1970s and kept unemployment rates above U.S. levels. A Current Development in this issue of the Weekly Briefing reports on the recent G-7 Jobs Conference in France.

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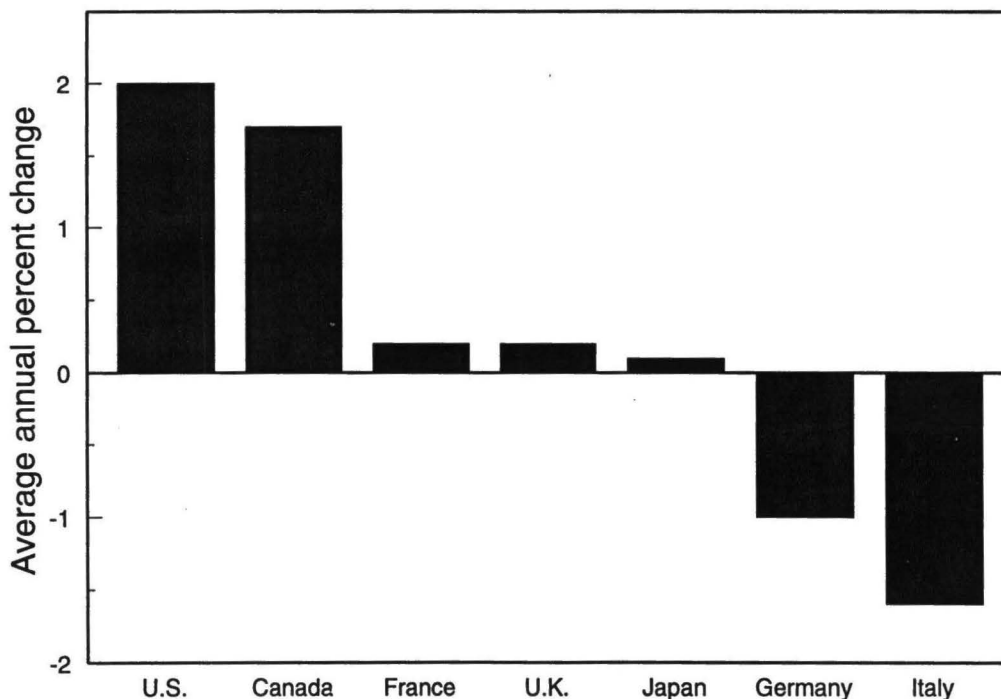
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

April 5, 1996

CHART OF THE WEEK

Employment Growth in the G-7, 1993-95



Note: Data are based on household surveys.

The United States experienced the fastest rate of job growth among G-7 countries over the period 1993-95. Only Canada had similar job growth, while other G-7 countries experienced negligible job gains or outright decline. The stronger performance of the United States in part reflects the strength of our recovery from recession in the early 1990s compared to economic conditions abroad. In Europe, however, stagnant employment also reflects structural features of labor markets that have slowed job growth to a standstill since the 1970s and kept unemployment rates above U.S. levels. A Current Development in this issue of the Weekly Briefing reports on the recent G-7 Jobs Conference in France.

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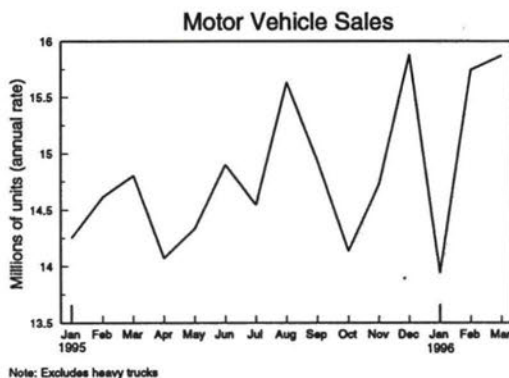


CURRENT DEVELOPMENT

Recent Data Confirm View that Economy is Gaining Momentum

Reports over the past two weeks indicate that the economy has gained momentum and likely will grow close to its potential rate as the year unfolds. The resurgent strength of the economy was reflected in the decision of the Federal Reserve to keep interest rates unchanged at last week's Open Market Committee Meeting.

Analysis. An exceptional gain in employment during February coupled with the solid rise during March give an average monthly increase so far this year of roughly 206,000 jobs, well above last year's monthly pace of 144,000. In addition, claims for unemployment insurance are returning to lower levels now that the temporary blip from the GM strike is past. The strong employment picture was responsible for a huge gain in the index of leading indicators and is firm evidence the economy has emerged from its slow patch of late last year.



Consumer spending rebounding. One uncertainty about the outlook had been whether consumer spending, which was weak in the last quarter of 1995, would continue to be a drag on the economy this year. Evidence now suggests that the retrenchment by consumers earlier this year was temporary and primarily due to the government shutdown and severe January weather. Recent moderate gains in retail sales, especially a firming in auto sales (see chart), and a rebound in consumer confidence indicate strengthening consumer spending.

*What about
Consumer
Doubt?*

Home building continues to be a bright spot, with housing starts climbing despite what has generally been regarded as a severe winter. Because consumer purchases of home furnishings are related to building activity, the robust housing sector likely will help power additional consumer spending in coming months.

SPECIAL ANALYSIS

Does Unemployment Insurance Lengthen Unemployment?

Although unemployment insurance (UI) reduces the cost to workers of being unemployed, it also reduces their incentive to find a new job quickly. As part of our continuing assessment of the current UI system, we have examined the extent to which UI lengthens the duration of unemployment and studied results from some state experiments designed to address this problem.

The effects of UI benefit levels. By cushioning the economic hardship associated with unemployment, UI allows unemployed workers some time to search for the best available job, instead of being forced to accept the first one that comes along. Although the resulting job search helps improve the match between workers and jobs, the provision of benefits inevitably reduces the incentive to accept work. Evidence suggests that a 10 percentage-point increase in the ratio of benefits to previous wages (say from 60 to 70 percent) would lengthen the average unemployment of those receiving benefits by up to 1.5 weeks.

The effects of UI duration. For insured workers, the likelihood of a return to work (at either their old employers or new ones) increases substantially in the few weeks before benefits are exhausted (typically 26 weeks), whereas there is no similar increase for those not receiving UI. Evidence suggests that a 1-week increase in the duration of benefits increases the average duration of unemployment by roughly 1 day. (In times of recession the average length of unemployment increases, making an extension of benefits appropriate.)

State experiments. Four states (Illinois, New Jersey, Pennsylvania, and Washington) have run experimental programs in which unemployed workers who found jobs within a certain amount of time (ranging from 3 to 13 weeks) received reemployment bonuses. The results from these experiments suggest that reemployment bonuses reduce the duration of unemployment. Moreover, there was no evidence that those receiving bonuses accepted jobs that were lower-paying as a result of their shortened search. From a budgetary perspective, the experiments often did not cost taxpayers additional money, as bonuses on average roughly equaled the reduction in UI payments plus increased tax receipts. (Results varied by state, with Illinois and New Jersey generally saving more than they spent, while Pennsylvania and Washington spent somewhat more than they saved.)

A permanent program, however, could prove more expensive than the experiments suggest. Because reemployment bonuses make short-term unemployment spells less costly for workers, they may be more willing to take jobs in layoff-prone industries, and more of those eligible for UI may be willing to undergo the hassle of applying. Even with these additional costs, such proposals may be desirable if the social and noneconomic benefits of rapid reattachment to the workforce were judged to be sufficiently large.

*Stunned
CTA & labor
consider a
national
experiment
at least a
one?*

SPECIAL ANALYSIS

U.S. Approach Receives Positive Response at G-7 Jobs Conference

The Lille Jobs Conference—the follow-on to the Detroit Jobs Conference—was held earlier this week. The Conference's primary purpose was to emphasize the continued commitment of the governments of the G-7 countries to job creation and to share views about the most effective approaches. Continuing the tradition established at Detroit, ministers recognized the interdependence of labor market policies with macroeconomic policies, education and training policies, and policies that promote competition, facilitate the creation of new enterprises, and encourage economic development.

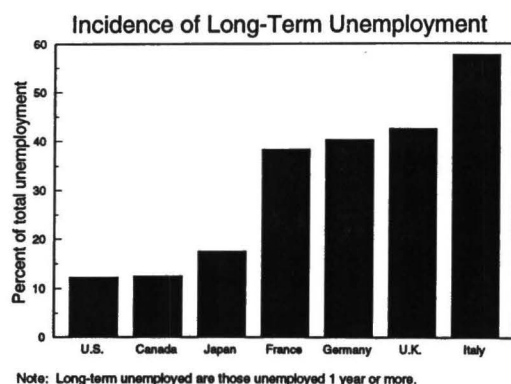
U.S. job growth highlighted. Much was made of the U.S. success in creating 8.4 million jobs while simultaneously cutting the fiscal deficit, especially in (comparison to other G-7 countries, whose economies together have generated fewer than 1 million jobs between 1993 and 1995.)

"The right way." French President Jacques Chirac started the event by calling for a "third way" that avoids both the stagnant employment growth of many European economies and the weak wage growth and "precarité" associated with the U.S. approach. However, analyses showing that new U.S. jobs pay high wages (see Weekly Economic Briefing, March 29, 1996), are mostly full-time (see Weekly Economic Briefing, March 22, 1996), and do not represent a significant increase in multiple job holding, averted the criticism that recently created U.S. jobs are not good jobs. Ultimately, the quote that carried the day was that of Secretary Ron Brown when he said, "The question is not whether we take the first way, the second way or the third way, but the right way."

U.S. intellectual approach embraced. Partly because of strong U.S. economic performance, the U.S. intellectual approach dominated the discourse, with frequent use of vocabulary that we have introduced, such as "lifelong learning" and "human capital investment." Policymakers in countries such as France embraced our approach—with its emphasis on the opportunities associated with the technologies and globalization of the 21st century—as a persuasive alternative to the protectionist and anti-technology attitudes that remain more pervasive in their political discourse.

The changing meaning of economic security. The U.S. team emphasized that in today's economy, we simply cannot hope to provide security in the same way that we have in the past: security no longer means employment at a single company, or perhaps even in a single occupation. Rather, we need to increase the security of an individual's "employability" over the course of his or her working lifetime and to facilitate transitions (for instance, by ensuring portability of pensions and health insurance.) Shorter average job tenures will also affect the

nature of training, lowering the incentives for employers to invest in the education of their workers, and for workers to invest in firm-specific knowledge. This may necessitate a larger role for government in providing general education and training.



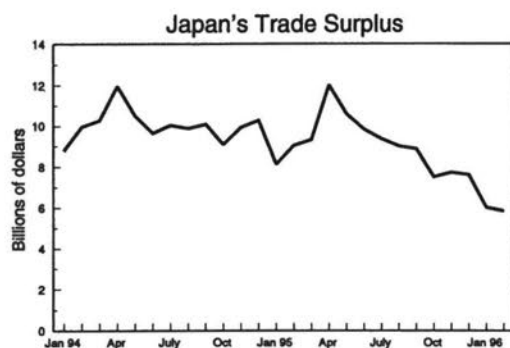
Much work remains. All countries expressed concern about the special problems posed by unskilled workers and the long-term unemployed. Long-term unemployment remains a much larger problem in most European countries (see chart). While expressing their dissatisfaction with current welfare systems, and especially the strong adverse incentive effects that arise when the full complement of income-support measures (housing, food, cash benefits)

are considered, the conference participants recognized that there are no easy solutions.

ARTICLE

Japan's Falling Trade Surplus

In January 1996, Japan recorded its lowest monthly trade surplus in 6 years, continuing the downward trend of the past year (see top chart). Japan's bilateral trade surplus with the United States has moved in tandem, declining nearly 10 percent during 1995. Much of the fall in Japan's overall trade surplus can be attributed to strong import growth in Japan. In the past year alone, Japanese

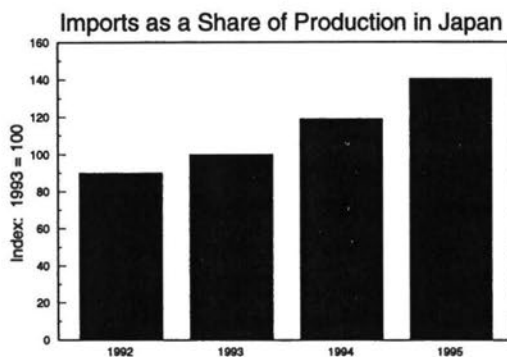


Note: Data are 3-month moving averages.

merchandise imports grew 12 percent, with particularly high growth in computers, electrical equipment, and motor vehicles. A joint CEA-Treasury study to be issued next week will report an increase of more than 85 percent in Japanese imports of U.S. goods covered by Administration trade agreements since 1993.

Analysis. The Japanese government has adopted several fiscal stimulus packages over the past few years in an attempt to pull the economy out of recession. As a result, the government

budget has moved from a surplus of 1.5 percent of GDP in 1992 to an estimated deficit of 4 percent of GDP in 1995. Because the broad measure of trade known as the current account surplus reflects the overall balance between saving and investment in the economy, the widening budget deficit (which represents a drop in government saving) has led to a decline in the current account and trade surpluses. The rise in the value of the yen over the last 4 years has supported the reduction of these surpluses.



Manufactured imports as a share of industrial production.

However, econometric models that predict Japan's trade on the basis of changes in economic growth, exchange rates, and the price of oil fail to explain fully the drop in the trade surplus, particularly over the last 6 months. Thus, many analysts have concluded that recent import growth may have been driven by structural changes in the Japanese economy.

Evidence of a steady trend upward in manufactured imports as a share of Japan's industrial production supports the hypothesis of structural change (see bottom chart). Japanese companies are moving low-tech production overseas, particularly

*Showered
Mach a
lot of this
on we'd tip
turn and tip
a photo of
at an export
place of business*

*Our theory
all about*

to lower cost Asian neighbors. Increased imports by companies that shut down low-tech production at home in favor of investments in facilities overseas will tend to sustain imports into Japan even if the yen declines in value.

At the same time, Japanese auto companies continue to invest in the American market and export a large number of cars made in the United States back to Japan. At least 60 percent of Japan's imports of U.S.-made autos in 1995 were supplied by Japanese transplants. Since Japanese companies can now shift production between domestic and overseas facilities, imports such as these—and hence our bilateral imbalance—will remain sensitive to exchange rate movements.

A breakdown in distribution barriers—such as an increase in the number of larger scale retail outlets—may also be spurring Japan's imports. Insofar as these outlets provide wider choices and cheaper prices, they give Japanese consumers an incentive to try imported products. Cheaper prices in turn help to expand the market. Indeed, this seems to be exactly what is occurring with products as diverse as beer, computers, and toys.

Conclusion. Japan's strong import growth has been particularly striking given the weakness of the Japanese economy. Some of the increase in imports is due to the past strengthening of the yen, and since trade flows often adjust to exchange rate changes with a delay, one can expect a marginal decline in Japan's surplus this year in response to the continuing effects of these past exchange rate movements. In the medium term, a decline to below 2 percent of GDP can be expected as Japan's economy recovers and investment picks up. With continued deregulation and structural change in Japan, and progress toward a balanced budget in the United States, we may expect further corrections in the external imbalances of the world's two largest economies.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Electricity Futures Market Opens. The New York Mercantile Exchange ushered in a new era on March 29 with the introduction of trading in futures contracts for electricity in the western United States. Traditionally, electricity was supplied by large, vertically integrated, fully-regulated utilities with defined market territories. Deregulation, however, has fostered competition and new transmission technologies have helped create broader geographical markets for electricity (see Weekly Economic Briefing, June 12, 1995). A futures contract requires the seller and the buyer to exchange a specified unit of electricity for the agreed-upon price at a future date. Such contracts can help reduce uncertainty by capping the price an industrial user will pay and setting a floor on the price an independent power producer will receive. These contracts also may encourage additional competition by making public information about the price traders are willing to pay for electricity. The market had a successful first day, with more than 1,200 contracts changing hands.

Teen Pregnancy Rate Rose Rapidly in Late 1980s, but has Dropped Recently.

An article in this week's Journal of the American Medical Association confirms earlier reports that teen pregnancy and birth rates in the United States rose rapidly in the late 1980s. Although the teen pregnancy rate remained stable and the birth rate declined between 1980 and 1985, the teen pregnancy rate rose 9 percent while the birth rate rose 18 percent in the last half of the decade. The researchers warn that despite similar rates of sexual experience among teenagers, rates of teen pregnancies and births in the United States are the highest among developed countries, with an estimated 95 percent of teen pregnancies unintended. In a document released earlier, the Centers for Disease Control and Prevention estimated that the teen birth rate declined 4 percent between 1991 and 1993.

Income Tax Refunds Running at Faster Pace. Tax refunds this year are running almost 25 percent above last year's level, leading some analysts to attribute the recent strength of retail sales in part to the surge in tax refunds. Although refunds in February 1995 were slowed by increased efforts to detect refund fraud (thus making any comparison difficult), by March of that year refunds were back on track. Still, the dollar amount of refunds during March 1996 was almost 20 percent more than in March of last year. Both the total number and the dollar amount of tax refunds are higher than last year—the average refund so far in 1996 is \$1,252, compared to \$1,076 for the same period last year. The IRS also reports that about 21 percent of all filers are requesting direct deposit of their refunds into their bank accounts, although most of these are electronic filers. This is the first year that most taxfilers will be able to take advantage of direct deposit for their refunds, an option that is intended to reduce the cost of processing returns.

INTERNATIONAL ROUNDUP

EU Launches New Measures in Effort to Contain Mad Cow Disease. On Wednesday the European Union put forth a number of measures to eradicate the spread of "mad cow disease", which may be linked with a deadly brain illness. All beef exports from the United Kingdom to other countries have been temporarily banned. Cattle aged 30 months or older that are intended for slaughter—an estimated 700,000 animals per year—must be totally destroyed. The EU will take special action to support Europe's beef industry, which has been jolted by falling prices, as consumers switch to pork and poultry. Up to 50,000 tons of beef will be affected by the EU's minimum price guarantee. In 1996, the total cost of the containment effort to the EU budget will amount to roughly \$400 million. In the United States, where no British beef has been imported since at least 1985, the FDA reportedly is planning to close a loophole that could allow cosmetics and dietary supplements to use ingredients from cattle stricken with mad cow disease.

Hungary to Become 27th Member of the OECD. Pending ratification of an accession agreement by its parliament, Hungary will shortly become the newest member of the Organization for Economic Cooperation and Development. It follows the Czech Republic as the second former planned economy to join this association of industrialized economies. Hungary, which introduced market-oriented reforms as early as 1968, returned to positive economic growth in 1994. Last year its output was projected to expand by 3 percent in real terms. It has been the most successful economy in the region in terms of attracting foreign direct investment, which totalled nearly \$11 billion over the 1990-95 period. However, the Hungarian economy still suffers from high internal and external deficits: the 1995 budget deficit was projected to be 6.5 percent of GDP, and Hungary's \$22.8 billion in foreign debt is the highest in per capita terms in central Europe. The United States has played a supporting role in Hungary's transition from a planned to a market economy. As of September 1995, U.S. assistance to Hungary amounted to \$217 million. Although U.S. firms are the leading foreign investors in Hungary, U.S. exports totalled just \$340 million in 1995, or 2 percent of Hungary's imports.

RELEASES THIS WEEK

Employment and Unemployment

****Embargoed until 8:30 a.m., Friday, April 5, 1996****

In March, the unemployment rate increased to 5.6 percent from 5.5 percent in February. Nonfarm payroll employment increased by 140,000.

Gross Domestic Product

According to revised estimates, real gross domestic product grew at an annual rate of 0.5 percent in the fourth quarter of 1995.

Leading Indicators

The index of leading economic indicators increased 1.3 percent in February following a decrease of 0.5 percent in January.

MAJOR RELEASES NEXT WEEK

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

U.S. ECONOMIC STATISTICS

	1970- 1993	1995	1995:2	1995:3	1995:4
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	1.3	0.5	3.6	0.5
GDP chain-type price index	5.3	2.6	2.5	2.2	2.2
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.5	0.8	3.0	1.7	-0.5
Real compensation per hour:					
Using CPI	0.6	1.4	2.0	2.2	0.6
Using NFB deflator	1.3	2.2	3.2	2.4	2.4

Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.2	10.2	10.2	10.2
Residential investment	4.5	4.0	3.9	4.0	4.0
Exports	8.2	11.1	11.1	11.1	11.3
Imports	9.2	12.5	12.8	12.5	12.4
Personal saving	5.1	3.3	2.9	3.2	3.6
Federal surplus	-2.7	-2.2	-2.2	-2.2	-2.1

	1970- 1993	1995	Jan. 1996	Feb. 1996	March 1996
Unemployment Rate	6.7**	5.6**	5.8	5.5	5.6
Payroll employment (thousands)					
increase per month			-146	624	140
increase since Jan. 1993					8498
Inflation (percent per period)					
CPI	5.8	2.5	0.4	0.2	N.A.
PPI-Finished goods	5.0	2.2	0.3	-0.2	N.A.

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

New or revised data in **boldface**.

Employment and unemployment data **embargoed until 8:30 a.m., Friday, April 5, 1996.**

FINANCIAL STATISTICS

	1994	1995	Feb. 1996	March 1996	April 4, 1996
Dow-Jones Industrial Average	3794	4494	5519	5612	5683
Interest Rates					
3-month T-bill	4.25	5.49	4.83	4.96	4.98
10-year T-bond	7.09	6.57	5.81	6.27	6.33
Mortgage rate, 30-year fixed	8.35	7.95	7.08	7.62	7.78
Prime rate	7.15	8.83	8.25	8.25	8.25

INTERNATIONAL STATISTICS

Exchange Rates	Current level April 4, 1996	Percent Change from Week ago	Year ago
Deutschemark-Dollar	1.481	+0.3	+7.0
Yen-Dollar	107.1	+0.7	+24.0
Multilateral \$ (Mar. 1973=100)	86.57	0.0	+5.0

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	1.3 (Q4)	5.6 (Mar)	2.7 (Feb)
Canada	0.6 (Q4)	9.6 (Jan)	1.3 (Feb)
Japan	2.2 (Q4)	3.4 (Jan)	-0.2 (Feb)
France	0.7 (Q4)	12.3 (Oct)	2.0 (Feb)
Germany	1.5 (Q3)	6.8 (Dec)	1.5 (Feb)
Italy	2.4 (Q4)	11.9 (Oct)	5.1 (Feb)
United Kingdom	1.9 (Q4)	8.4 (Jan)	2.7 (Feb)

U.S. unemployment data embargoed until 8:30 a.m., Friday,
April 5, 1996.

THE PRESIDENT HAS SEEN

4/8/96

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Goran Doron

On My Mind

A. M. ROSENTHAL

Believing the Dictators

The advantage a democracy has in dealing with dictatorships is that they signal clearly what they intend to do to their victims and enemies. There's just one problem: The democracies keep convincing themselves that the dictators don't really mean it.

At the moment, democracies are busily deluding themselves about one dictatorship in Latin America, one in Asia and at least two in the Middle East — a conservative count.

There's no mystery about the candor of dictators. In the daily oppression of their own people, dictators know it is essential that the public understands that torture, prison or death are the inescapable consequence of disobedience or dissent.

When dictatorships plan foreign adventures — aggression by conquest or terrorism — here too making their intentions obvious is critically important to them. They need to build up nationalist passions among their people and give them something besides their ruler to hate.

Their bonus is that shouting threats, and meaning them, can soften the victim-nation or its allies into appeasement, making the eventual aggression that much easier.

So it is not the fault of the dictators if the democracies want to think the warning signals cannot be true.

Certainly it was not Hitler's fault that the Chamberlains believed he would not try to conquer all Europe, just the slices they approved. It was not Japan's responsibility that the U.S. diddled itself into believing that the Japanese could not possibly mean their warnings that the U.S. stood in the way of their empire.

Who can blame Saddam Hussein if the U.S. did not believe he planned to dominate the Mideast? And now, should Colonel Qaddafi be blamed if his European suppliers want to think that he has built the world's largest chemical-weapons plant just to capture the market in aspirin?

Is it Syria's fault that the U.S. and Israeli Governments beg it to take back the Golan Heights? And if they choose to ignore that Damascus remains a combination barracks, school and convention center of Mideast terrorists, what can Syria do?

Fidel Castro: again and again he says that he will not ease political terrorism against Cubans, even if it could end the American embargo tomorrow. No Gorbachevian sucker he, says el comandante.

However often he says it, hordes of Americans, Canadians, Europeans return from Cuban pilgrimages to announce that if the embargo is lifted he will allow elections, a free press, public debate and similar steps he understandably believes will be fatal to his Communist regime.

What does he have to do to convince the fantasizers? Shoot down in international waters American planes armed only with leaflets? Arrest Cuban democrats to whom he had promised permission to get together? The man has done what he could. But he cannot get anybody to believe him — except Cubans.

China drops missiles into the Strait of Taiwan day after day, and has not even promised not to do so again if it chooses. Now, more than a year before its scheduled takeover of Hong Kong, we read that Beijing is scrapping every mechanism of democratic rule it promised to keep after the British moved out. In Hong Kong, in early December, that was what I learned was even then going on.

American business executives and academics tell us just wait, the current Beijing gang will be replaced by Communists who will call off their assorted nastinesses if we just give them more money and arms. But they will not. Dictatorships, including China's, will continue to rule by force. They are aware that doing otherwise would mean their end.

The dictators do their best to convince us. I can think of a few reasons they have not.

Why the West should, but won't.

The truth is hard for the West to accept because it means trouble ahead. Many Western diplomats and leaders have their favorite dictators, left or right, and make rationalizations for them. Conflicts of interests are at work; careers, business and reputations hang on predictions that a given dictator will reform.

The experts cannot seem to grasp that dictatorships reveal themselves not despite their plans for more crimes against international law and human rights, but because of them. Are they fooling themselves or us, or are they simply not terribly bright? □

Habitat World

THE PUBLICATION OF HABITAT FOR HUMANITY INTERNATIONAL

APRIL/MAY 1996

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Housing article
Canada's speaking
BC

Families on the
threshold:

Is safe,

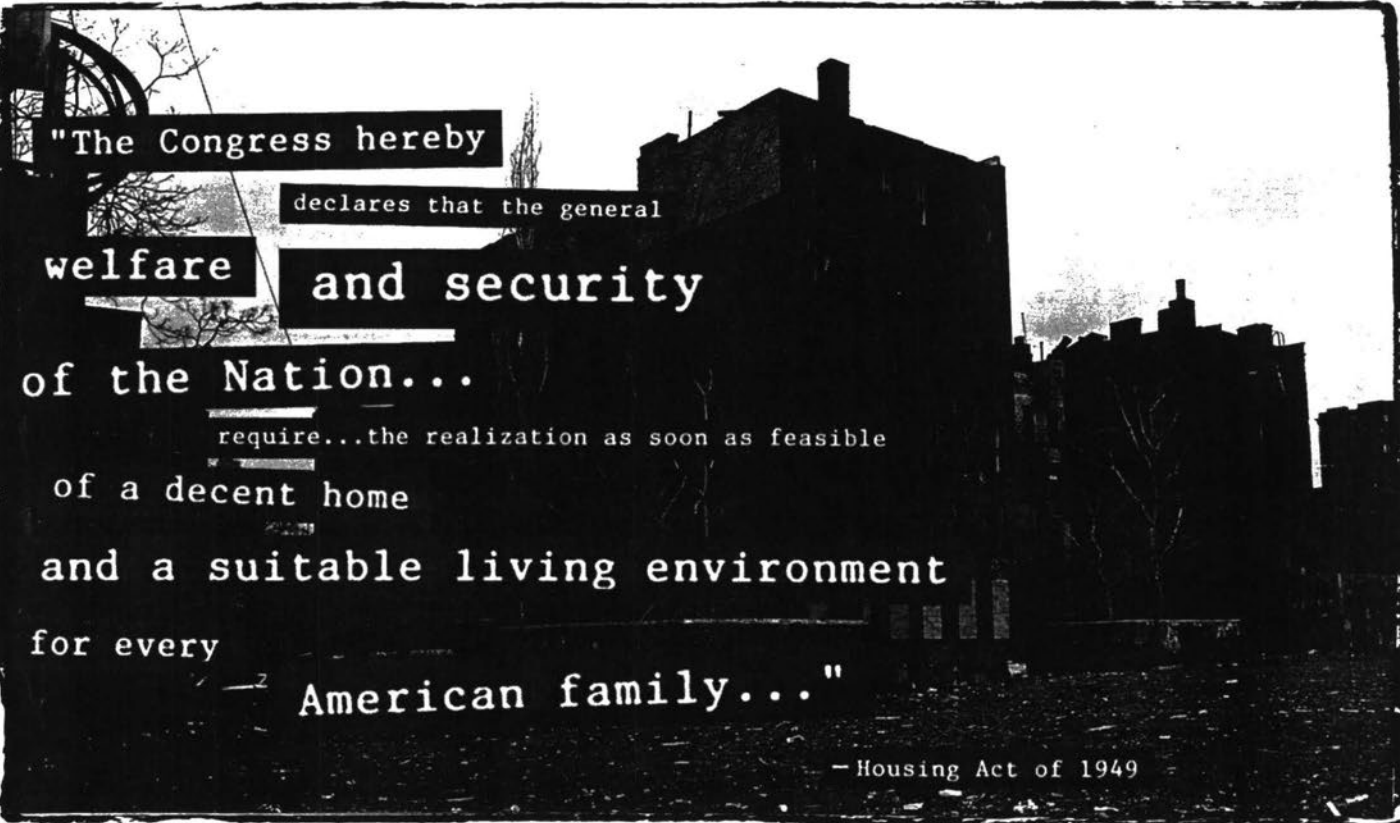
decent

housing beyond

their reach?

THE PRESIDENT HAS SEEN
418/96





"The Congress hereby
declares that the general
welfare and security
of the Nation...
require...the realization as soon as feasible
of a decent home
and a suitable living environment
for every
American family..."

— Housing Act of 1949

America's Housing Needs Greater Than Ever

For the past five decades, decent housing for all has been a nationally recognized concern. Still, today millions of Americans lack adequate shelter. For these, a stagnant economy, low wages and fixed incomes, and a lack of affordable housing severely impact their housing options.

While Habitat cannot be the answer for everyone, it is the answer to the prayers of many. This issue of Habitat World introduces you to three families whose lives have been directly affected by the broader issues surrounding poverty housing. Two are Habitat homeowners.

BY KAREN FREE

cri-sis (kri'sis), n: A situation that has reached a critical phase; an unstable or crucial time or state of affairs in which a decisive change is impending; especially one with the distinct possibility of a highly undesirable outcome.

By most—if not all—accounts, there is an affordable housing “crisis” in the United States today. But what does that really mean? It seems that more and more countrysides are turning into subdivisions; older apartment build-

ings are being replaced with upscale housing; and urban sprawl is changing much of America's once-rural landscape.

In fact, according to the National Association of Home Builders (NAHB), building starts in January 1996 were up 5% over the same month last year.

Now more than ever before, it seems there is a vast array of housing choices for everyone.

Except the poor.

“The poor” certainly includes people who live below the poverty

level (\$15,150 per year in 1995 for a family of four, according to the *Federal Register*). They also are people who rely on several types of welfare benefits, including SSI (Supplemental Security Income or disability), General Assistance, Social Security and Aid to Families with Dependent Children (AFDC).

But the vast majority of "the poor" also includes millions of families who work hard for a living as well. They may earn "low incomes" (defined as income that is below 80% of median area income) yet they are unable to find low-cost housing that is proportionate to that income.

According to the National Coalition for the Homeless (NCH), in the past 20 years, 1.3 million low-rent housing units have disappeared from the market. They were abandoned, converted into condominiums or expensive apartments, or became unaffordable because of cost increases.

At the same time, the number of low-income renters in the United States has increased by 3.2 million. So, America's housing crisis is the result of the gap that has been created—and is steadily widening—between the number of affordable housing units available and the number of people needing them.

"For a lot of people, there just is no housing, because they are limited to a certain geographic area, and their income is limited," says Larry Yates, president of Social Justice Connections, a for-profit organization based in Arlington, VA. "The economic reality is that [many] people don't have the income to afford today's housing prices—today's minimum wage or government benefit is not enough," he says.

In 1991, the minimum wage in America rose from \$3.65 per hour to \$4.25 per hour. Millions of wage-earners work at jobs paying little

**"Do not
withhold good
from those
to whom
it is due,
when it is in
the power
of your hand
to do so."**

—Proverbs 3:27

more than this hourly amount (\$8,840 annually for a full-time worker), yet strive to find adequate shelter for their families with it, in addition to other basic living expenses. (See Table 1 below.)

But many families need more than two-bedroom houses or apartments, and those earning an hourly

wage often do not get sick leave benefits, or paid vacation time, and at times may not have a full-time paycheck to work with. When this happens, it is even more difficult to keep up with housing costs.

AFDC is a program that provides monthly cash amounts primarily to single mothers with children. Each state defines "need," sets its own benefit levels, establishes income and resource limits, and administers the program. While many people believe that welfare recipients automatically receive some form of housing assistance, the fact is that housing assistance is not an entitlement.

According to Barbara Duffield, NCH education policy analyst, two-thirds of welfare recipients receive no housing assistance at all. Other organizations say that as much as three-fourths of those whose low, very low, and extremely low incomes qualify

Table 1

The following table shows the hourly wages needed, by state, to pay 1994 fair market rents (FMR) for one- and two-bedroom houses or apartments. Minimum wage is \$4.25 per hour.

State	FMR 1BR	Hourly wage needed	FMR 2BR	Hourly wage needed	State	FMR 1BR	Hourly wage needed	FMR 2BR	Hourly wage needed
Alabama	\$354	\$6.82	\$424	\$8.16	Montana	\$302	\$5.82	\$404	\$7.76
Alaska	528	10.15	703	13.52	N. Carolina	424	8.15	499	9.59
Arizona	407	7.83	518	9.96	N. Dakota	339	6.53	429	8.25
Arkansas	349	6.71	431	8.28	Nebraska	373	7.18	479	9.21
California	635	12.21	796	15.31	Nevada	510	9.80	618	11.88
Colorado	402	7.73	530	10.19	New Hampshire	623	11.98	779	14.98
Connecticut	638	12.28	793	15.24	New Jersey	682	13.11	827	15.90
Delaware	521	10.02	604	11.62	New Mexico	409	7.86	509	9.79
Dist. of Columbia	719	13.83	844	16.23	New York	669	12.86	775	14.91
Florida	492	9.47	607	11.68	Ohio	379	7.29	481	9.24
Georgia	457	8.79	538	10.35	Oklahoma	339	6.52	441	8.48
Hawaii	909	17.48	1069	20.56	Oregon	417	8.02	523	10.06
Iowa	377	7.25	471	9.06	Pennsylvania	486	9.35	592	11.38
Idaho	399	7.67	485	9.33	Rhode Island	540	10.38	650	12.50
Illinois	537	10.33	648	12.45	S. Carolina	398	7.66	460	8.85
Indiana	391	7.53	486	9.35	S. Dakota	360	6.92	465	8.94
Kansas	377	7.25	478	9.18	Tennessee	379	7.29	461	8.87
Kentucky	351	6.74	436	8.38	Texas	408	7.84	524	10.08
Louisiana	350	6.73	437	8.41	Utah	342	6.58	432	8.32
Maine	475	9.13	615	11.83	Vermont	483	9.29	644	12.38
Maryland	575	11.05	689	13.26	Virginia	529	10.17	626	12.04
Massachusetts	590	11.35	736	14.15	Washington	472	9.09	599	11.51
Michigan	440	8.47	541	10.40	W. Virginia	322	6.20	397	7.63
Minnesota	456	8.78	580	11.16	Wisconsin	417	8.02	522	10.04
Mississippi	364	7.00	429	8.25	Wyoming	334	6.42	437	8.40
Missouri	366	7.04	463	8.90					

Source: Low Income Housing Information Service, Out of Reach, March 1995



The Path to Homelessness

It could happen to anyone

By TERRI FRANKLIN

Until 1994, a combined annual income of nearly \$30,000 (including salaries plus free rent electricity), allowed Russell Sjo 37, and his wife Diane, 33, to provide a comfortable, secure life for their two young children.

Today, due to a twist of fate the twists of the social service "net," the Sjolbloms have lost jobs, their home and most of their possessions. They're currently in a small house maintained as emergency shelter by a local church.

"This has been very difficult for us," Russell says. "Whenever anyone in my family needed something, they came to me. I'm not used to being dependent on somebody else."

The Sjolbloms know about Habitat for Humanity, and would like the opportunity to become Habitat homeowners. "If circumstances would allow it, we would apply for a heartbeat," Russell says. "It would be fantastic to put our money into a home we would own." But, with no income, and with no Habitat close enough, he knows that Habitat is likely not an option for his family.

Their journey into homelessness is summarized on the following pages.

January 1994

After more than eight years as manager and maintenance supervisor

his apartment building complex, Russell is severely injured on the job, and spends five months in traction. At the same time, Diane is laid off from her retail job. Worker's compensation, state disability and a new part-time job for Diane keep the family afloat, but their savings are exhausted.

October–December 1994

Soon after returning to work, Russell re-injures his back. His physician concludes that he will have a "lifetime of pain." Unable to perform heavy labor, he is fired in December. Diane loses the small stipend she received for helping with building maintenance. They must start paying \$685 a month, plus electricity, to keep their apartment. On December 31, they lose their health insurance.

January–May 1995

The Sjoloms begin seeking public assistance. At first they receive worker's compensation of \$1,003 per month. But with more than \$700 a month in housing costs, plus food, medical and other bills mounting, it's not enough. They seek help with their rent but discover the local waiting list for rental assistance is six years. They're denied Aid to Families with Dependent Children (AFDC) because their income from worker's compensation exceeds the eligibility limit.

In May, Russell reaches the limit of his worker's compensation benefits. The family is two months behind on rent and has no income.

June–September 1995

Loss of worker's compensation makes the family eligible for an AFDC grant of \$298 per month and \$311 in food stamps. Diane also earns \$400 per month baby-sitting, but all that combined doesn't meet their housing costs and other expenses. Russell applies for Social Security and state disability benefits.

In August, Diane loses the baby-sitting job, but the family receives \$2,800 in state disability and worker's compensation settlements. They pay many accumulated bills, but cannot

"The rich
and the poor
have this in common,
the Lord
is the maker
of them all."

—Proverbs 22:21



Nearly half of poor households pay more than 50% of their incomes for housing.

them for supplemental housing assistance do not receive it simply because funds allocated are insufficient to meet the demand. The result is that the poorest of the poor are left to find whatever housing they can, double up with other families, or turn to homeless shelters.

"There is an interplay between

poverty, housing and homelessness," says Duffield. "If you don't have enough money, then no matter how inexpensive a house or apartment is, you can't afford it. It's a myth that people are doing well on welfare." (See Table 2 below.)

While many Americans acknowledge there is a lack of affordable

housing in America today, few know what to do about it. Both Yates and Duffield agree that becoming more aware of the broader issues surrounding poverty housing is an important first step.

"Educating people to understand the issues is crucial," says Duffield.

"There is a misconception of who the poor are and why the poor are poor. Poverty is a lack of money, not a lack of values or discipline. The poor need stability; they need a decent place to live that they can afford."

"In addition to building houses," says Yates, "Habitat for Humanity is useful if it brings people to a greater understanding of the realities of the housing problems in this country, and their lives are changed by becoming educated."

Table 2

This table compares the fair market rents (FMRs) for two-bedroom units, by state, to the maximum Aid to Families with Dependent Children (AFDC) grants, by state, for three- and four-person households in 1994. Note: Housing "affordability" is defined as rent plus utilities comprising not more than 30% of income.

State	FMR	1994 maximum AFDC grant		maximum grant as % of FMR		State	FMR	1994 maximum AFDC grant		maximum grant as % of FMR	
		3-psn	4-psn	3-psn	4-psn			3-psn	4-psn	3-psn	4-psn
Alabama	\$424	\$164	\$194	39%	46%	Montana	\$404	\$401	\$484	99%	120%
Alaska	703	923	1,025	131%	146%	Nebraska	479	364	435	76%	91%
Arizona	518	347	418	67%	81%	Nevada	618	348	408	56%	66%
Arkansas	431	204	247	47%	57%	New Hampshire	779	550	613	71%	79%
California	796	607	723	76%	91%	New Jersey	827	424	488	51%	59%
Colorado	530	356	432	67%	82%	New Mexico	509	357	431	70%	85%
Connecticut	793	680	792	86%	100%	New York	775	577	687	74%	89%
Delaware	604	338	407	56%	67%	N. Carolina	499	272	297	55%	60%
Dist. of Columbia	844	420	513	50%	61%	N. Dakota	429	409	501	95%	117%
Florida	607	303	364	50%	60%	Ohio	481	341	421	71%	88%
Georgia	538	280	330	52%	61%	Oklahoma	441	324	402	73%	91%
Hawaii	1069	712	859	67%	80%	Oregon	523	460	565	88%	108%
Idaho	485	317	382	65%	79%	Pennsylvania	592	421	514	71%	87%
Illinois	648	367	414	57%	64%	Rhode Island	650	554	632	85%	97%
Indiana	486	288	346	59%	71%	S. Carolina	460	200	240	43%	52%
Iowa	471	426	495	90%	105%	S. Dakota	465	417	464	90%	100%
Kansas	478	429	497	90%	104%	Tennessee	461	185	226	40%	49%
Kentucky	436	228	285	52%	65%	Texas	524	184	221	35%	42%
Louisiana	437	190	234	43%	54%	Utah	432	414	484	96%	112%
Maine	615	415	526	68%	85%	Vermont	644	638	717	99%	111%
Maryland	689	366	441	53%	64%	Virginia	626	354	410	57%	66%
Massachusetts	736	579	668	79%	91%	Washington	599	546	642	91%	107%
Michigan	541	489	583	90%	110%	W. Virginia	397	249	312	63%	79%
Minnesota	580	532	621	92%	107%	Wisconsin	522	517	617	100%	118%
Mississippi	429	120	144	28%	34%	Wyoming	437	360	390	82%	89%
Missouri	463	292	342	63%	74%						

—continued on page 6

Source: Low Income Housing Information Service, Out of Reach, March 1995.

Karen Free is associate editor of Habitat World.

THE PRESIDENT HAS SEEN

4/8/96

CLINTON ARKANSAS OFFICE
111 Center Street - Suite 1500
Little Rock, AR 72201
Telephone: (501) 372-5500
FAX: (501) 375-0512

TO: President Clinton FROM: Mary Anne Salmon
OFFICE: _____ OFFICE: Clinton Arkansas Office
PHONE: _____ PHONE: (501) 372-5500
FAX: 202-456-16703 FAX: (501) 375-0512

I am sending 2 page(s), including cover page. Please
call Valencia Young if there are problems with receiving this
fax. Thank you.

MESSAGE: As discussed this is the
information you asked me to send
concerning captive insurance companies.

Thanks!

mas

Lamar

Please see Mr. Tim

Br

**FOUR REASONS THE ADMINISTRATION'S
PROPOSAL FOR CAPTIVE INSURANCE COMPANIES
IS UNNECESSARY AND OVERBURDENSOME**

NO ONE GAINS FROM THE PROPOSAL - EVERYONE LOSES

There is no appreciable revenue in this proposal -- the Administration's projections show an increase in revenue in the first 2 years and a decrease in the next 8 years. Overall, the projection is only \$44 million. This minuscule revenue gain does not justify the disruption to the industry and the insureds who rely on the captive insurance market.

THE PROPOSAL IS AN OVERREACTION TO A PROBLEM THAT NO LONGER EXISTS

The Administration's proposal states that it is in response to a "lack of clarity" under current law as to when transactions involving a captive are considered to be "insurance". The premise is outdated. In fact, today the case law is clear -- a facts and circumstances approach has evolved that has been relied on by the industry, and the IRS has publicly announced that it is rethinking its old opposition in light of the cases. The undecided cases of a few years back have now been decided. Everyone now is operating under the same understanding of the rules.

The Administration's proposal is wholly arbitrary and contrary to what are now settled principles based on years of litigation. In particular, the 50% threshold is higher than the 30% threshold that has been upheld in the courts. Further, the provisions relating to 10% shareholders would appear to have the illogical and arbitrary effect of disallowing insurance treatment from many group-owned insurers.

CAPTIVE INSURANCE COMPANIES ARE IMPORTANT AND LEGITIMATE BUSINESS ORGANIZATIONS

The motivation to form the type of captive insurance companies that are recognized as insurers under decided case law invariably is business-driven, not tax-driven. Captives provide business options in the face of lack of adequate insurance capacity or the commercial market's inability to respond to particular needs of an industry. Often, these are new industries most important to economic development. Unavailability of coverage, consolidation of premium funds, centralized claims management, and access to worldwide reinsurance markets for excess coverage are generally recognized as primary reasons for forming a captive insurance company.

THE PROPOSAL IS AT ODDS WITH THE RISK RETENTION ACT

The stated purpose of the Risk Retention Act and subsequent amendments was to allow a group of businesses to join together to form their own insurance company to issue policies only to themselves. Congress believed that by encouraging such groups, the subjective element in underwriting could be reduced. The risk retention group would know its own loss experience and could adhere closely to it in setting rates. It was also believed that these groups would promote greater competition to insurers to set rates to reflect experience as accurately as possible. The Administration's proposal would penalize small businesses that join together to insure their risks in risk retention groups and thus the proposal would be contrary to the Risk Retention Act's stated purpose.

DATE: 4-8

TO:

Richard

FROM: Staff Secretary

As we discussed,
let me know.

Todd

NATIONAL D.A.R.E. DAY, 1996

- - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

Drug abuse and violence pose serious threats to the health and well-being of American youth. We must redouble our efforts to help children understand the consequences of destructive behaviors and give them the tools they need to succeed. This critical endeavor requires all of us -- government, law enforcement, schools, religious communities, and families -- to work together.

Drug Abuse Resistance Education (D.A.R.E.) is a proven means of communicating a strong anti-drug, anti-violence message to students of all ages. This year, D.A.R.E. will provide 33 million young people, from kindergartners to 12th graders, with information and strategies to help them resist peer pressure and to avoid drugs, tobacco, inhalants, and alcohol abuse throughout their lives. Reaching children in 30 countries, all 50 States, and 70 percent of our Nation's school districts, D.A.R.E. also empowers students with vital conflict resolution and anger management skills.

Today and throughout the year, let us recognize this program as a model of effective, grassroots organization and commend D.A.R.E. officers for their dedicated efforts to promote health and safety. As an integral and valued part of countless American schools, these caring men and women are joining parents, teachers, and concerned citizens everywhere to help children lead safe, healthy, productive lives.

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, by virtue of the authority vested in me by the Constitution and laws of the United States, do hereby

proclaim April 11, 1996, as National D.A.R.E. Day. I call upon families, educators, and all the people of the United States to observe this day with appropriate activities and programs.

IN WITNESS WHEREOF, I have hereunto set my hand this
day of , in the year of our
Lord nineteen hundred and ninety-six, and of the Independence of
the United States of America the two hundred and twentieth.

The New York Times Magazine

APRIL 7, 1996 / SECTION 6

**A HERETIC'S
DEFENSE**
A Bishop—
And His Church—
On Trial

BLACK HOLE
Surviving the
Campaign Lull

JADED EYE
Gucci's Tom Ford
Stays One
Step Ahead

TO VP/ CORRO

What do you
think about this?

THE PRESIDENT HAS SEEN

4/8/96

Bz

Dance With the Devil Cigarettes are killers,

skind for Reply?

PAUL M. MONTRONE THE PRESIDENT HAS SEEN
418196

Dear Bill & Hillary
Sandra and I join with you and your
colleagues and his family in your sorrow
at the loss of Ron Brown. Our Easter prayers
will be for his soul and for all of you to
receive God's strength to comfort and guide
you through this tragedy.

Paul & Sandra

Nancy -
Please pass on this
condolence note to the
President. Thank you.
Paul

PAUL M. MONTRONE

To Dorskind for
Reply ?

yes



no



THE PRESIDENT HAS SEEN

April 4, 1996
4/8/96

Dear President Clinton,

I learned of Ron Brown's death as I arrived in Los Angeles yesterday. I am so sorry for your personal loss and for the loss to the party, the administration and the world. We all dream of being World Citizens - he truly achieved that in his life.

I know that without his leadership in 1991 and 1992, I would not have been allowed into the ranks of my own party - I would not have served on the platform Committee or been elected into the na. delegation. He insisted that information be given out so

PHONE: (504) 589-2744

FAX (504) 589-2339

(((((((((+ ()

that the party would be open to anyone who was willing to commit and work hard to be a participant. I have many fond memories of time spent with him and will miss him terribly, myself.

In November, Secretary Brown appointed me to the Louisiana Export Council and had recently invited me to meet with him in Cleveland for a National DEC Meeting in May. He seemed to remember me and I will always appreciate his efforts to include me in the very important mission that we all share, no matter how small our role might be.

I'm sorry to have Missed
your Visit to New Orleans. I've
been recovering from being rear-
ended in an auto accident. As
you know, Wild Horses Can't Keep
me from the inspiration I derive
from seeing you personally, so it
was difficult for me to follow doctors
orders.

I hope we will all commit
anew to overcome the petty tactics
and mean rhetoric that surround
us, and that we can make Secretary
Brown's Mission for a better life
for everyone, our own.

Happy Easter your loyal friend,

Aly

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The Washington Opera

Resident Company of The John F. Kennedy Center for the Performing Arts
Plácido Domingo, Artistic Director Designate ♦ Patricia L. Mossel, Executive Director

THE PRESIDENT HAS SEEN

418196

March 15, 1996

The President
and Mrs. Clinton
The White House
Washington, DC 20500

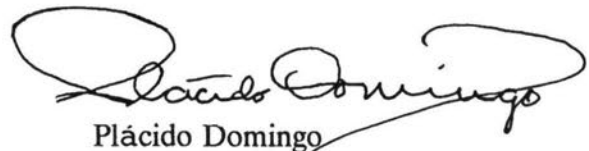
Dear Mr. President and Mrs. Clinton,

On behalf of my wife, my family, and myself, I would like to thank you for the wonderful brunch which was held at the White House on March 11th. Your warm greetings which were read at the Domingo Gala and at the brunch were also greatly appreciated.

May I take this opportunity to express my sincere gratitude for your gestures of trust and support, and I assure you that I will hold to the promise of an era of musical excellence in Washington.

It is my sincere hope you will honor us with your presence at the opening of the opera season in November when we will be presenting "Il Guarany". Until then, Marta joins me in sending our very best wishes.

Sincerely,


Plácido Domingo

To Dorstkind for
Reply?

yes

no

coord. with
w/ scheduling

Do him my
sorry - must be
BS

Mr. Nixon letter to him
Nancy/Betty: ~~say hello for us~~
would like to see him

4/4

Nancy/Betty: ~~say hello for us~~
to see him again

McCurry met with Ken Walsh of US News
and World Report this afternoon.

Walsh mentioned that he was just in
Texas interviewing an Olympic hopeful,
weightlifter Mark Henry.

Henry met the President at a
White House event right after his
election. Henry says they discussed
Texas restaurants, and joked
about Henry showing the President the
best Texan restaurants when he
came down there.

McCurry told Henry (through
Walsh) that he would say hello
to the President for him, and
show him the attached Walsh
profile on Henry.

THE PRESIDENT HAS SEEN
4/8/94

Julie
62712

Done ✓

400 pounds of gentle

For Mark Henry, the Olympic Games offer a power lift to a new life

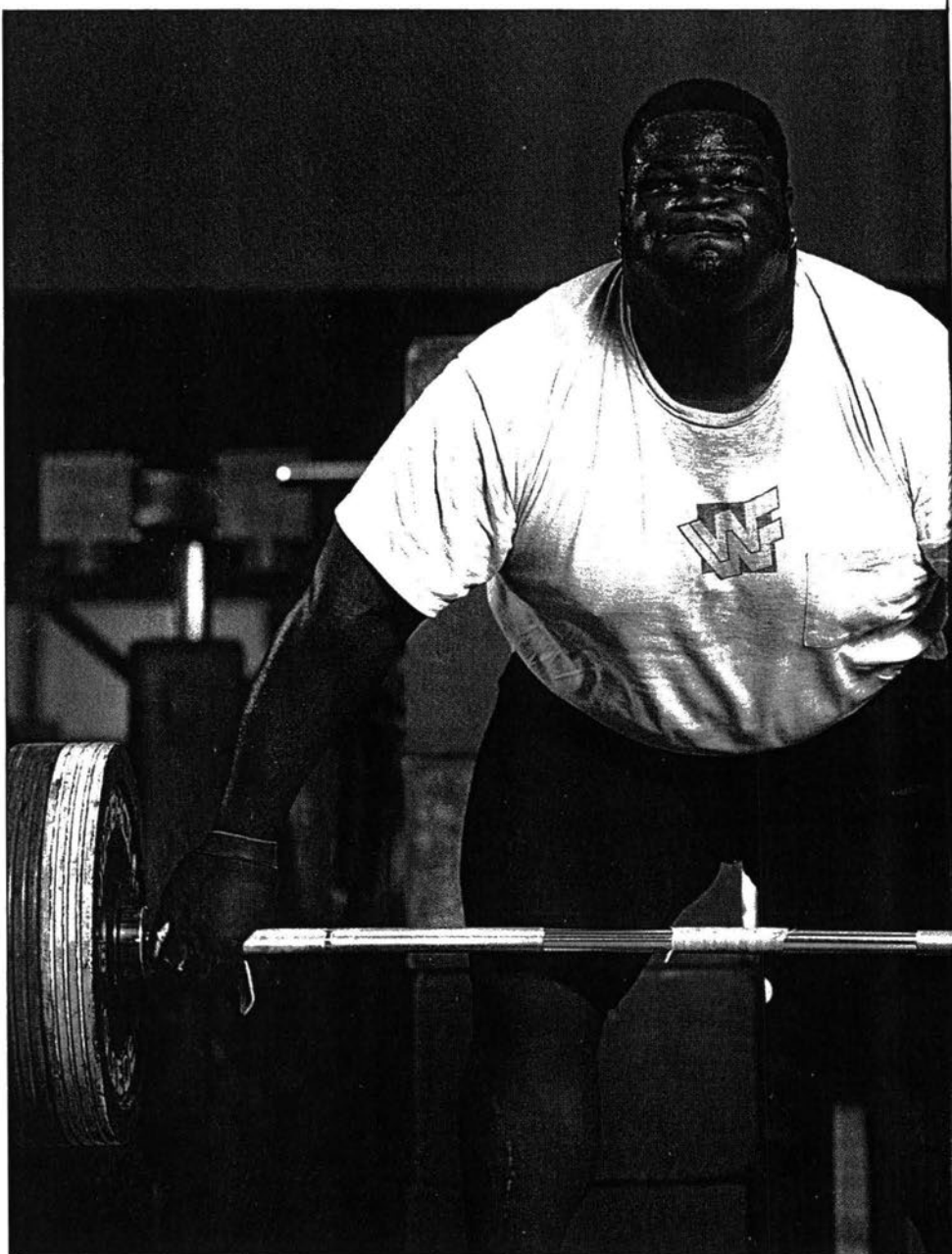
Everything about 24-year-old Olympic weight lifter Mark Henry is gargantuan: his size (6 foot 3 and 420 pounds), his personality and certainly his ambition. At Catfish Station, a down-home club near where he trains at the University of Texas at Austin, waitresses hug him and busboys shout his name as he lumbers by. At Sfuzzi, an upscale Italian eatery, strangers in business suits slap

his impossibly broad back and wish him luck at the summer games. At Kreuz's Meat Market in Lockhart, one of his favorite barbecue stops, Henry orders an 8-inch stack of pork chops, beef brisket, beef shoulder and sausage for a table of



four—a meal served on a sheet of brown paper with no plates, forks or adornments such as vegetables. Other customers sneak incredulous looks as he wolfs 3 pounds of protein in 15 minutes, washing it down with five orange sodas. In between bites, the weight lifter keeps up a running commentary on the joys of Texas cooking, slapping the table top loudly with a hand the size of a frying pan.

Mark Henry's celebrity is about to take a quantum leap. It seems inevitable that the rustic giant with the winning smile and easygoing manner will become one of the biggest stars in Atlanta this August. In recent weeks, he has been making the late-night talk-show circuit, and interview requests are pouring in. His backers promote him, with considerable justification, as the strongest man in the world, a sort of hardscrabble youngster whose awesome physical gifts are now reaching their zenith. It is all part of an informal marketing plan devised months ago by Henry and his coach and mentor,



Power and glory. When Mark Henry pumps iron, the gym grows quiet. In Austin, coach

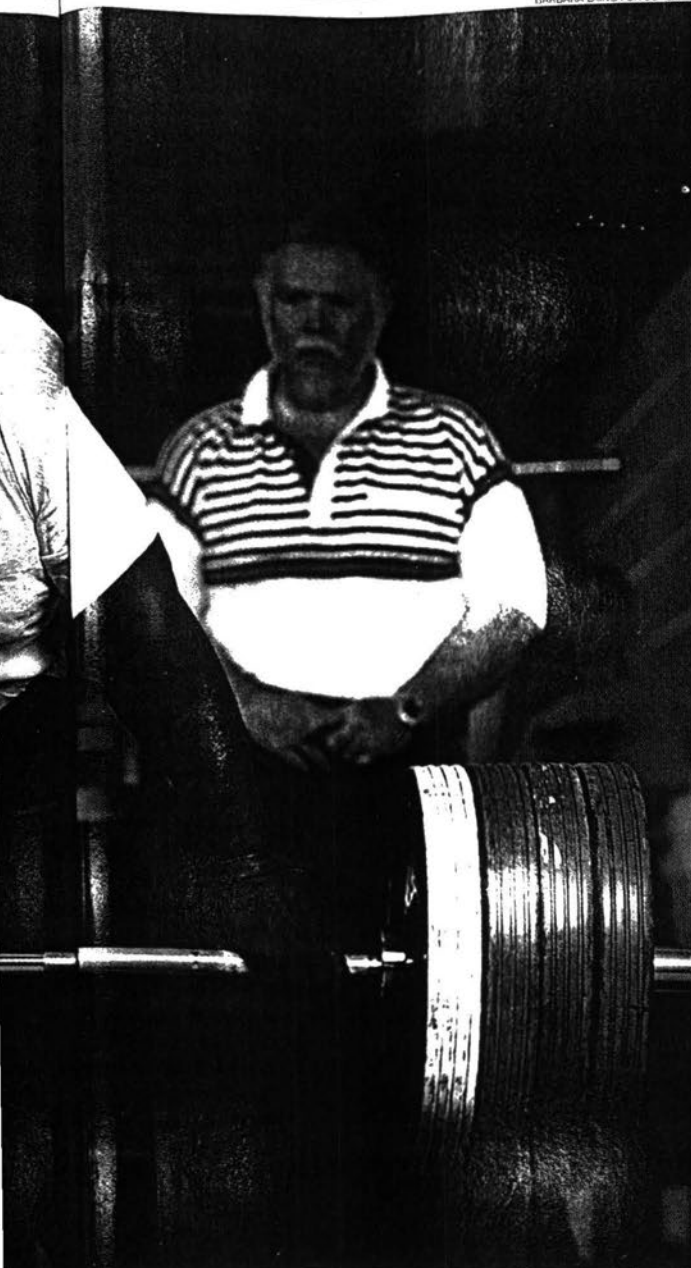
Terry Todd, a professor of kinesiology at the University of Texas. Recognizing the constraints on a poor black man from tiny Silsbee, Texas, who overcame dyslexia, Henry and Todd see the Olympics less as a showcase for American prowess or an individual's joy in winning than as a way to give a deserving young athlete a big lift in life.

"Mama's Baby." "Athletics you can only do for so long, at least at a high level," Henry says. "You have to do what you can to find a springboard to other fields that are less work." Henry knows that the Olympics will be his moment, what Todd calls his "window" to success. What form that success might eventually

take is something Henry is still mulling over: a career in professional acting, perhaps, or in the National Football League, or even in professional wrestling.

Henry's forte is power lifting. He holds three world records, with lifts of 953.5 pounds in the squat (a deep knee bend with weights raised to the shoulder), 903.5 pounds in the dead lift (a barbell lifted from the floor to above the knee) and a combined total of 2,339 pounds for the three events of the squat, the dead lift and the bench press.

It was Henry's mother, Barbara Mass, who bought him his first set of weightlifting equipment for Christmas when he was 10 years old. He was 5 foot 1 and



ch Terry Todd (right) supervises a 400-pound lift.

weighed 215 pounds at the time, and Mass needed to find some way to direct his energies. "He used to wrestle a lot with his brother and his friends, and I got the weight set to keep them from tearing up the furniture," she says. Henry didn't know his own strength, sometimes getting into scrapes with other kids at school who mocked him as "Fat Albert" and inflicting more damage than he intended, Mass says. Weight training made him bigger and stronger, but his mother's stern discipline kept him in line: Once she came home to find him and a friend sipping a beer in back of the home. "She whumped both of us," says Henry, who still calls himself "Mama's Baby."

and 64-inch chest. He trains at least three days a week, lifting 20,000 pounds on one day of "light" work and 50,000 pounds on each of his two "heavy" days.

The weight lifter's performance of the "snatch" event is a phenomenon both theatrical and explosive and one that quiets the gym as other athletes gather to watch from a discreet distance. Henry squats over the bar loaded with several hundred pounds of iron rings, extends his massive, chalk-covered hands to the bar's ends and rocks slightly forward and back. Suddenly, he snatches the bar from the floor and thrusts it over his head, sweating and grunting. After a second or two, he drops it to his feet with a tremendous

In 1990, Todd and his wife, Jan, both physical education professors and former world-class weight lifters, heard about Henry and went to see him lift at a high school competition. They made him an informal member of their family, introduced him to top-flight training methods and helped him qualify for the 1992 Barcelona Olympics, where he finished 10th in the superheavyweight class. His lifts this year already qualify him for the '96 games, though he must still fulfill the requirement to participate at the Olympic trials later this spring.

Even heroics seem to come naturally. Last year, Henry and his mother watched in shock as a deranged man assaulted a flight attendant and began punching a window on a commuter flight to Dallas. Henry, believing the glass might shatter, subdued the passenger with a single punch to the jaw. "The only way to stop him was to hit him," he says proudly. Then he tied the man's hands together with a seat belt. The airline sent him two free tickets, a letter of thanks and a plaque of recognition for his bravery.

Henry's everyday life revolves around his lifting and his size. He wears a gold ring in each earlobe and, between training sessions, parades around Austin in a Kermit the Frog T-shirt that leaves plenty of room for his 24-inch neck

THE EVENTS

By training and inclination, Mark Henry is a power lifter. That, says coach Terry Todd, a former power-lifting champion himself, will be one of the biggest problems Henry faces at the games this summer. Weight lifting is considerably more sophisticated and involves more agility, timing, flexibility and technique than power lifting, which relies on brute strength, Todd says. There are two Olympic weight-lifting events: the snatch, in which the barbell is lifted from the floor overhead in one explosive motion, and the clean and jerk, in which the barbell is raised from floor to shoulder level, then overhead. Henry's U.S. records of 396.5 pounds in the snatch, 485.5 in the clean and jerk and 882 for a combined total are at least 50 pounds less than the world records held by his Olympic competitors, making Henry an underdog for a medal. That he has refused to take steroids, Todd says, also puts Henry at a serious disadvantage against weight lifters from countries where steroid use has been a problem, like the former Soviet Union.

THE COMPETITORS

- **Alexander Kurlovich**, Belarus. Reigning superheavyweight champ, but U.S. coaches say he is off his stride this year.
- **Andrei Chemerkin**, Russia. A younger lifter who may have a good shot at the gold this summer.
- **Ronny Weller**, Germany. Won the gold at the Barcelona games in a lower weight class.

crash and takes a deep breath, his amiable personality quickly returning.

During a workout last week, Henry flirted playfully with members of the University of Texas women's softball team, who laughed at his jokes and seemed both awed by and attracted to him. That is exactly the reaction that Henry wants to inspire among television viewers and potential employers during the games this summer, as he tries to parlay his quest for Olympic gold into the kind of professional opportunities he never dared to dream about back in Silsbee. ■

BY KENNETH T. WALSH IN AUSTIN, TEXAS

THE PRESIDENT HAS SEEN
810 FIFTH AVENUE 418196
NEW YORK, NEW YORK 10021

4/4/96

✓
Dear Mr. President:

Elizabeth joins me in sending
you our most heartfelt condolences
on the tragic death of Ron Brown.

We know how much Ron
meant to you and to your
administration. He was a great
Secretary and a great human
being. We shall all miss him
terribly.

Our best wishes to you and
Hillary at this very difficult time.

Sincerely

Felicie Polakoff

Doorskind
reply ?

✓

FELIX ROHATYN

Telephone: (516) 283-6345

TELECOPY COVER SHEET

Telecopier Number: (516) 283-8433

Date: 4/4/96Number of Pages 1

To: Name of Company

Name of Individual

Telecopier Number

President Clinton
202-456-6703

From:

Felix RohatynMessage:810 FIFTH AVENUE
NEW YORK, NEW YORK 10021

4/4/96

Dear Mr. President:

Elizabeth joins me in sending
you our most heartfelt condolences
on the tragic death of Ron Brown.
Sincerely,
E. Ron



COUNCIL OF THE DISTRICT OF COLUMBIA

WASHINGTON, D.C. 20004

(202) 724-8052

96 APR 5 P3:02

CHARLENE DREW JARVIS

Councilmember-Ward 4

Chairperson

Committee on

Economic Development

April 5, 1996

Committee Member

Human Services

Housing and Urban Affairs

Labor and Human Rights

The President and Mrs. William H. Clinton
The White House
Washington, DC 200500

Dear President and Mrs. Clinton:

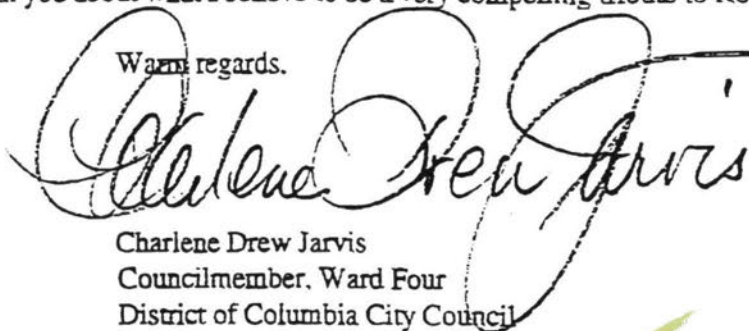
Please allow me to express my very deepest sympathy on the loss of Secretary of Commerce Ronald H. Brown. I know his death is a deep personal loss for the both of you, as well as a tragedy for our community and our country.

Ron and I were born a day apart at Freedmen's Hospital right here in Washington. Our mothers chatted as their offspring experienced a new world. He was a native son.

I would like to make a recommendation to you about a fitting memorial for Ron. Opposite both the Department of Commerce and the District Building is Freedom Plaza. The plaza was developed by the Pennsylvania Avenue Development Corporation and is now being maintained by GSA. The plaza also faces the International Cultural and Trade Center, recently renamed the Ronald Reagan Building.

The renaming of Freedom Plaza as the Ronald H. Brown Plaza would be a wonderful tribute to an extraordinary American who believed that he was free to live the American Dream. I look forward to talking with you about what I believe to be a very compelling tribute to Ron.

Warm regards.


Charlene Drew Jarvis
Councilmember, Ward Four
District of Columbia City Council

cc: Alexis Herman

TO Jim Doriskind for
Reply?
yes ☒
no ☐

COUNCIL OF THE DISTRICT OF COLUMBIA
Office of Councilmember Charlene Drew Jarvis
1350 Pennsylvania Avenue, N.W.
Washington, DC 20004

FAX COVER

Phone: 202-724-8052 and Fax: 202-724-8120

TO: Leon Panetta, White House Chief of Staff
FROM: Councilmember Jarvis
DATE: 4-5-96
FAX: 456-1121
PAGES: 2 (INCLUDING COVER)

NOTES:

Attention Adam Kreisel

To Doriskind for
Reply ?

yes



no

THE PRESIDENT HAS SEEN

418196



TO PRESIDENT CLINTON
AND THE FIRST LADY,

KNOWING AND AGREEING WITH
YOUR GOALS FOR THIS COUNTRY,
AND ALSO BEING AWARE OF
YOUR CONCERN FOR MULTI-CULTURAL
AND EDUCATIONAL OUTREACH,
I FEEL CONFIDENT YOU WILL
BE INTERESTED IN THIS
RECENTLY RELEASED RECORDING.
IT ILLUSTRATES THE ROLE THAT
THE ARTS CAN CONTINUE TO PLAY
IN WORKING TOWARD THE GOAL OF
BRIDGE-BUILDING AMONG THE
CULTURES THAT SHARE AND
MAKE UP AMERICA. HOPE YOU
ENJOY.

WITH RESPECT AND ADMIRATION,
Alan Balter (ALAN BALTER)
MUSIC DIRECTOR AND CONDUCTOR
MEMPHIS SYMPHONY ORCHESTRA (TN)
AKRON SYMPHONY ORCHESTRA (OH)

Judy Collin's

President William Jefferson Clinton
& First Lady Hillary Rodham Clinton

THE PRESIDENT HAS SEEN

418196

TO DORSKIND FOR
REPLY?

yes

☒

no

☐

~~Request~~
Bill & Hillary
I am so deeply
saddened over this tragic
loss - and I am particularly
sad when I think of how
close you both were to the
Secretary. My deepest sympathy
- I will join me in sending
our love and our prayers
for you and for the Brown
family in sympathy
for your loss for all
a truly
a truly

JAMES D. WOLFENSOHN

April 7th 1996

Dear President. Clinton,

I just want to ~~say~~ **96 APR 8 AM: 48** say over
Ron Brown and all the human tragedies that
have befallen the families and our nation.

I was in Saigon and left just a
few hours before the ill-fated flight - I
have no doubt that Ron and his colleagues
were on a mission of humanitarian aid

original sent to
Doriskin
DORISKIN
(Ron Brown)

God-given purpose. The situation
demands the help of all fair minded
men & women and it is truly tragic that
such a visit with such high purpose,
should end in such a way -

Your leadership - humanity - steadfastness
and religious feeling have never been more
needed - not more appreciated than
now - You are a great comfort - you
have our admiration, support & great sympathy -
truly,
H. E. Lane

THE PRESIDENT HAS SEEN
4/8/95

TODD:

Should we send to

Dorskind to

coordinate reply?

yes — no

copy sent to Dorskind

Back
Should we send to all
who agreed on the merits
have work

Boz

April 5, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Michael Waldman *MW*

SUBJECT: Remarks at Memorial Service -- Outreach

For your information, the remarks that were forwarded to you last night were prepared after consultation with several of your friends and outside advisors. Terry Edmonds, Don Baer or I spoke to:

- * Tony Campolo (whose suggested Scriptural passages are incorporated in the remarks)
- * Linda Lader
- * Bill Hybels
- * Michael Sheehan
- * Prof. Benjamin Barber (he prepared suggested remarks; we have them with us if you would find it useful to see them)

We will continue to talk to these and other individuals as we draft remarks for next week's ceremonies and services. If there are others you particularly want us to talk to, please let us know.

John M. Mayo

803 West Second Street Clarksdale, Mississippi 38614 601-624-4706 E-mail johnmayo@misnet.com

96 APR 8
2:08

April 3, 1996

Office of the Staff Secretary
Presidential Medal of Freedom Committee
Nominating Committee
The White House
Washington, D.C.

Dear Sir:

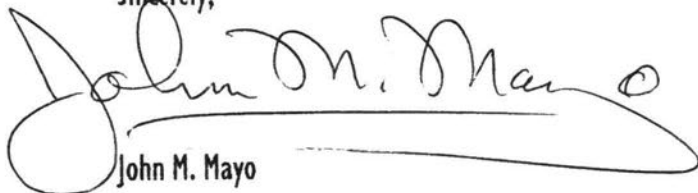
Earlier this year, I sent to you the nomination of Mrs. Anna Margaret Mayo for consideration for award of the Presidential Medal of Freedom. I am forwarding to you a copy of a resolution passed by the Mississippi Legislature. You will receive an original soon.

I know that you get many requests of this type. But, if you will read the resolution, I believe you will find that she truly gave of herself for the defense of our country. Our Mother was a common woman with uncommon devotion to the United States. I would challenge you to find one other wife and mother who has given more of herself and family to the country.

Should you need further information, please write or call.

Thank you for your consideration.

Sincerely,


John M. Mayo

cc: Senator Trent Lott

Todd -

Medal of Freedom
Nomination

To Jim Doriskind
for Reply?

original to
Doriskind

yes

no

Acceptance

Senator Furniss, Representative Miller, honorable Senators, Lieutenant Governor Musgrove, to the friends of our mother and father who came today, on behalf of our family, we thank you and we particularly thank Senator Delma Furniss for the honor this body has bestowed upon our Mother.

Throughout the years you have honored men and women of science and arts, persons of achievement in athletics, government, and education, and those heroes and heroines of singular outstanding deeds. We thank you today for honoring a woman of simple common virtues of God, Country, and Family. A devoutly religious woman, she was a veteran of World War II, stood by her husband through 33 years of military service, and offered her family willingly to the service of this country.

At one time her husband, our father, and five of her six children were wearing the Uniform of the United States of America. If there were at least one woman in these United States who can say they gave more as a mother and wife to this country, I would like to meet her for she would truly be a remarkable woman.

Our family's history from the Words of the Revolutionary War and War of 1812, to the DuPuis's who fought in the Civil war, through our brother who was in the Persian Gulf War, the uniform you see our brother Robert wearing today is the tie that binds us. Duty, honor, country, this is the code our family gladly bares in wearing this uniform. And I am happy to say that that common thread of history will continue this summer when our nephew Travis laces up his boots in service to the United States Coast Guard. We're proud of you Travis

We often remember and cheer for the soldier in time of war. But we forget them in time of peace. I would remind you as men and women who have some influence in national and certainly state politics, that it is because of the peacetime army, navy, air force, marines, and coast guard both on active duty and in the reserve and national guard that we can remain at peace, a country free to worship, and free to raise our families.

Our parents always told us that we serve our God first, our country second, and our families third. Because without a God to lead, we will have no country of value, and without a country values, we will have no place to raise our families. I would hope that you continue to remember all those wives and mothers who send their husbands and children into harm's way to keep this country the United States of America.

We were not born Mississippians. We are here by the choice of our Father, who after he retired in Baltimore, said this was the place to raise his family. He was right. I would like to leave you with this thought about our Mother. She told it to our sister when she left home for Ft. Carson Colorado. "You are going up north and you are from the South. Never deny that you are from Mississippi. You have much of which to be proud. This is your home, and it is a good one."

And as her children, we would certainly agree. You have honored our mother and we are grateful to you for recognizing her contributions to this great country of ours.

John Morton Mayo
April 2, 1996

By: Senator(s) Furniss

To: Rules

SENATE CONCURRENT RESOLUTION NO. 582
(As Adopted by Senate)

1 A CONCURRENT RESOLUTION COMMENDING THE LIFE AND SERVICE OF
2 ANNA MARGARET MAYO AND MEMORIALIZING THE PRESIDENTIAL MEDAL OF
3 FREEDOM COMMITTEE TO GIVE CAREFUL AND POSITIVE CONSIDERATION TO A
4 PENDING RECOMMENDATION TO HONOR MRS. MAYO'S CONTRIBUTIONS TO THE
5 MILITARY SERVICE OF OUR COUNTRY.

6 WHEREAS, Anna Margaret Wendel was born on February 20, 1921,
7 in Baltimore, Maryland; and

8 WHEREAS, she married Morton R. Mayo in 1945 and as an army
9 wife began moving around the world with him to many different duty
10 stations, finally settling in Jackson, Mississippi, in 1957; and

11 WHEREAS, Anna Margaret Mayo and Morton R. Mayo were the
12 parents of six children, all of whom graduated from St. Joseph
13 High School or Callaway High School in Jackson, Mississippi; and

14 WHEREAS, Anna Margaret Mayo was the wife of Morton R. Mayo
15 (Command Sergeant Major, retired; died, July, 1995) for 50 years;
16 and

17 WHEREAS, for 33 of those 50 years, she stood by her husband
18 as he moved from duty station to duty station, each time moving
19 their children; and

20 WHEREAS, Anna Margaret Mayo pinned on her husband the Legion
21 of Merit, an award not often bestowed upon an enlisted man; and

22 WHEREAS, the military history of the Mayo family in this
23 country dates back to the 18th Century; and

24 WHEREAS, members of the Mayo family were in the Revolutionary
25 War and every war since that time including: War of 1812; Civil
26 War; Mexican Border Wars; World War I; World War II; Korean War;
27 Vietnam War; Persian Gulf War; and now troops under the command of



one of Mrs. Mayo's four sons are mobilized in support of the
Bosnian efforts; and

WHEREAS, Anna Margaret Mayo, as the mother of six children,
instilled in each one of them the values of God, country, family
and then self in that order; and

WHEREAS, five of her children have served, or are currently
serving, in the military services of this country; and

WHEREAS, through these five children, Mrs. Mayo has been to
two wars, been wounded twice, and has received more than three
dozen medals for bravery, achievement and meritorious service; and

WHEREAS, she pinned the officer rank of Lieutenant bars on
her oldest son, the first officer in the 220-year military history
of the family; and

WHEREAS, she pinned the General's star on another son; and

WHEREAS, through her children, she has served more than 110
years on active and reserve military duty; and

WHEREAS, Anna Margaret Mayo sent her oldest son to Vietnam
for back-to-back tours and received his medals for valor,
achievement and meritorious service; and

WHEREAS, she received a Purple Heart for her second son; was
with him for a year as he recovered from his wounds; sent him back
to Vietnam again; and later received his second Purple Heart; and

WHEREAS, on this same son, she pinned the star of a Brigadier
General, and was there when he was awarded (like his father) a
Legion of Merit; and

WHEREAS, she sent this same son to Saudi Arabia, where he
earned his second Bronze Star; and

WHEREAS, just a week before her death (December 18, 1995) she
learned that members of units (from South Carolina through
Mississippi) under this son's command were mobilizing for Bosnia
duty; and



59 WHEREAS, Anna Margaret Mayo sent her third son to the Air
60 Force and then saw him become a member of the United States Army
61 Reserve and become (like his father) a First Sergeant; and

62 WHEREAS, she sent her first daughter to the Army where she
63 served four years as a Military Policeman, serving mostly in
64 Germany; and

65 WHEREAS, Anna Margaret Mayo sent her fourth son to the Army
66 and to the United States Army Reserve where he is now serving as a
67 Chief Warrant Officer III; and

68 WHEREAS, Mrs. Mayo was a veteran herself, having served the
69 last year of World War II; and

70 WHEREAS, through herself, her husband and her five children,
71 Anna Margaret Mayo: served 138 years military service to this
72 county; been to 48 duty stations; received two Legion of Merit
73 awards and two Purple Hearts; received several Bronze Stars, Army
74 commendation medals and certificates of achievements; and rose in
75 rank from a private seven times, to a General, and to the top
76 ranks of the Non-commissioned Officer Corps; and

77 WHEREAS, Anna Margaret Mayo died December 18, 1995, at age
78 74, and was buried at Arlington National Cemetery at 8:45 a.m. on
79 March 11, 1996; and

80 WHEREAS, Mrs. Mayo, as a woman, wife and mother has
81 unselfishly given herself, her marriage and five of her children
82 to the military service of her country; and

83 WHEREAS, by fostering and encouraging the values of God,
84 country and family, Mrs. Mayo has demonstrated with unwavering
85 loyalty and patriotic fervor her commitment to the United States
86 of America; and

87 WHEREAS, under the terms of a person making a significant
88 contribution in service to our country and under the provisions of
89 criteria for awarding a medal based on a person's contribution to
90 the National Defense, Anna Margaret Mayo has been recommended for



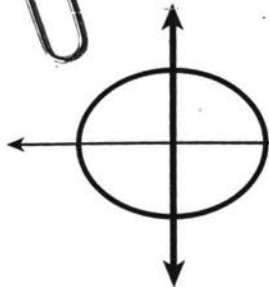
91 consideration for the Presidential Medal of Freedom to be awarded
92 posthumously; and

93 WHEREAS, it is the policy of this Legislature to recognize
94 and honor the achievements and accomplishments of outstanding
95 Mississippians, and especially dedicated Mississippians who have
96 unselfishly given of themselves and their families to the military
97 service of our country:

98 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE OF THE STATE OF
99 MISSISSIPPI, THE HOUSE OF REPRESENTATIVES CONCURRING THEREIN, That
100 we do hereby recognize and commend the life and many
101 accomplishments of Anna Margaret Mayo and express our sincere
102 appreciation for her loyal and dedicated contributions through
103 herself and her family to the military service of our country.

104 BE IT FURTHER RESOLVED, That we do hereby memorialize the
105 Presidential Medal of Freedom Committee, Washington, D.C., to give
106 careful and positive consideration to the pending recommendation
107 that Anna Margaret Mayo be nominated to be awarded posthumously
108 the Presidential Medal of Freedom.

109 BE IT FURTHER RESOLVED, That copies of this resolution be
110 presented to each of Mrs. Mayo's six children, to the Presidential
111 Medal of Freedom Committee, to each member of the Mississippi
112 Congressional Delegation, to the Clarksdale Press Register, and
113 made available to the Capitol Press Corps.



NACFAM

The National Coalition for Advanced Manufacturing

THE PRESIDENT HAS SEEN

418196

TO DORSKIW
REPLY?

YES

NO

April 4, 1996

Co-Chairmen
Dwight Carlson
Perceptron Inc.

Cal Kirby
Hughes Electronics

Eric Mittelstadt
FANUC Robotics of
North America

President
Leo Reddy
NACFAM

Treasurer
Livingston Davies
Cadkey, Inc.

Secretary
S.J. Hyduk
EDS

Board of Directors
Brian Carlisle
Adept Technology

John Decaire
National Center for
Manufacturing Sciences

Peter diCicco
AFL-CIO/UD

Jerry Jasnowski
National Association of
Manufacturers

Richard Lilly
Lilly Software

C. Peter Magrath
NASULGC

Jack Minnich
MANTEC, Inc.

Albert Moore
The Association for
Manufacturing Technology

Rusty Patterson
Agility Forum

Lee Rivers
National Technology
Transfer Center

Jack Russell
Modernization Forum

David Swanson
American Industrial
Extension Alliance

Steven Ungvari
American Supplier Institute

The Honorable Bill Clinton
The White House
Washington DC 20500

Dear Mr. President:

On behalf of the entire NACFAM membership, please accept our heartfelt condolences over the tragic death of Secretary Brown. We are grateful for his extraordinary record of public service and his distinguished record as Secretary of Commerce.

While joining the praise for his dynamic leadership in promoting U.S. exports, we would particularly like to salute his strong role in promoting a technology policy rooted in public-private partnerships and in articulating the relationship between trade and technology. Since its founding in 1989, NACFAM has been a consistent, strong advocate for such partnerships, especially the Technology Reinvestment Program, the Manufacturing Extension Partnership, the Advanced Technology Program, and Cooperative Research and Development Agreements between industry and federal labs.

NACFAM deeply appreciated Ron Brown's vigorous and courageous defense of these programs and of his Department under heavy fire from some powerful critics in Congress. He reiterated that support during his keynote address to NACFAM's Annual Conference last December. In commenting on public-private partnerships, he noted, "Those are the kinds of relationships that benefit the American people and the American economy."

We look forward to continuing to work with Acting Secretary Good, the Commerce Department, and your Administration in continuing to build a spirit of public-private partnership as a foundation stone for securing our nation's long-term industrial strength and competitiveness.

Sincerely,

Leo Reddy
President

1331 Pennsylvania Avenue, NW ► Suite 1410-North Tower ► Washington, DC 20004-1703

email: NACFAM@explorer.clark.net ► World Wide Web: <http://www.bmpcoe.org/nacfam>

(202) 662-8960 ► (800) 622-3260 ► Fax (202) 662-8964

NEWS

From the Office of the Mayor
RICHARD J. RIORDAN



96 APR 8 5:51

FOR IMMEDIATE RELEASE
April 3, 1996

CONTACT: Noelia Rodriguez
213/847-3556

original to

Dosking

RIORDAN MOURNS TRAGEDY OF SECRETARY BROWN, TRADE MISSION PARTICIPANTS

Mayor Richard J. Riordan today expressed grief over the tragic plane crash in the Balkans involving U.S. Commerce Secretary Ron Brown and American business leaders. Riordan joined world and local leaders in mourning the loss of life during this mission to help rebuild the former Yugoslavia.

Riordan said:

"Our thoughts and prayers go to the Secretary's family, and to the families of all of the victims of this tragedy. It is especially poignant that this loss of life occurred on a mission of peace, as Secretary Brown sought to repair the fabric of war-torn Bosnia. Secretary Brown was committed to creating opportunity throughout the nation and around the world.

"Secretary Brown was a great friend of Los Angeles. He was always ready, willing and able to provide help when we needed it. After the riots, he was here walking the streets, assisting business-owners and lending his support. Following the Northridge Earthquake, he was on the ground and indefatigable -- his efforts made it possible for us to create the Minority Business Opportunity Committee, which has been nationally recognized for extending more than \$1 billion of economic opportunity to Angelenos of all backgrounds.

"Last summer, Secretary Brown was again here in Los Angeles to recognize MBOC's success. When he spoke of MBOC's role in fostering inclusion and partnership, it was clear that these were not merely words to him -- these were the ideals that guided his life's work. In our continuing efforts to provide opportunity and access, we will remember his lifelong efforts in this regard.

"On behalf of our city, I also send prayers to the family and associates of my friend Parsons Chairman Leonard Pieroni, an outstanding Los Angeles business and community leader.

"Let us not forget the business leaders and crew members who lost their lives. Each of these Americans played a part in this mission for peace. In their memory I have asked that all flags in the City be flown at half mast."

###

OFFICE OF MAYOR RICHARD J. RIORDAN
CITY HALL 200 NORTH SPRING STREET
LOS ANGELES, CA 90012
213.847.3025 PHONE

TO: Marcia Hale
The White House
Assistant to President, Director of Intergovernmental Affairs

FROM: Richard J. Riordan
Mayor, City of Los Angeles

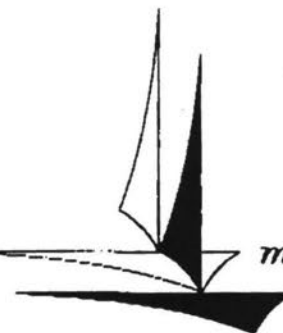
DATE: April 3, 1996

Attached for your information is a copy of the statement sent out by my office regarding the tragic plane crash.

① Send to Staff Sec
② File - Riordan

*original to
Doriskin***OFFICE OF THE MAYOR**350 South Fifth Street - Room 331
Minneapolis Minnesota 55415-1393(612) 673-2100
Fax (612) 673-2305**SHARON SAYLES BELTON**
MAYOR

96 APR 8 P5:51

*minneapolis*
city of lakes

April 3, 1996

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

Dear Mr. President:

I was alarmed to learn that the plane carrying Commerce Secretary Ron Brown went down today over Croatia. I hope and pray that this man who has served you, the Democratic Party and the nation for many years, will yet be found alive and safe. I know this has been a difficult day for you and Mrs. Clinton, and want you to know I am thinking of you.

I also hope that when we learn more about the circumstances surrounding this tragic accident, there will be no discoveries that jeopardize the peace of nations you are working so hard to achieve.

Sincerely,

Sharon Sayles Belton
Mayor

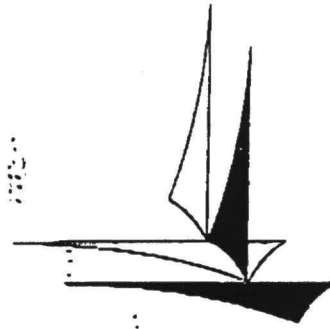
SSBmcp



OFFICE OF THE MAYOR
350 South Fifth Street - Rm 331
Minneapolis Minnesota 55415-1393

(612) 673-2100
Fax (612) 673-2305

SHARON SAYLES BELTON
MAYOR



minneapolis
city of lakes

IMPORTANT FAX

DATE: 4/3/96 TIME: 5:45^{pm} CST

TO: Patrick Flynn

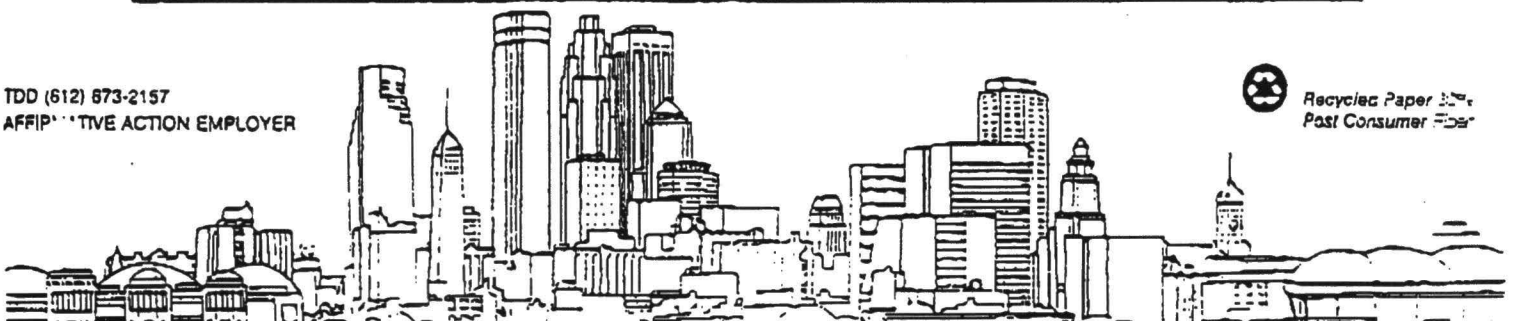
ORG/DEPT White House

PH.# (FAX): 202-456-6220

FROM: Mary Pattock

NUMBER OF PAGES INCLUDING THIS PAGE: 2

COMMENTS: Thanks for your help, Patrick —
4p



4/8/96

TODD:

Came from Oval Office.

To Dorskind for reply?



yes

no

original
PKs to
Dorskind
(D:O not xerox
complete
contents
of envelope)
S

Mr. President
Here are the letters
the Make a Wish
Child from Miami
discussed of you -
Do you want reply
done?
ND

4/8/96

The President want
these answered &
he wants a substantive
reply to Jan (who was
here today - Make a Wish
Child of Kentucky) on the
Cane Issues. BC sign -

Notes

The President
The White House

(from Ian Amber)

April 3, 1996
14521 S.W. 65th
Miami, Florida 33143

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

Dear Mr. President:

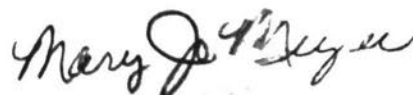
Democracy in action includes being able to write your president and express opinions and concerns. What a wonderful opportunity for my students to be able to practice this. Our thanks to Ian Amber for hand delivering our mail to you.

As an educator, my primary concern in life is the welfare of children and their future. I read each of the letters. I am amazed that in spite of all the problems these students face and all they hear about, the message of their letters is hope. That speaks loudly of the nature of all children. Inherent in their being is that someone can solve our problems; someone can help make it better; things will work out for us. That message from all children should speak volumes to us--the adults responsible for their world. We must begin to provide the things that are necessary for our children---shelter, food, health care, education, and a caring community.

Our sixth grade classes have experienced something this year that will last a lifetime. They have watched courage and hope in action. Ian came to our school as soon as his doctors gave him permission to reenter. Ian's example has been a blessing that words could never teach. We are fortunate to know this young man.

My wish for my students as they leave the shelter of elementary school and enter that larger world is that they will carry with them hope and courage. Only by carrying that through to adulthood can we as a nation begin to make changes.

Respectfully,



Mary Jo Meyer
Sixth Grade Teacher