

THE PRESIDENT HAS SEEN

4-18-96

Alex / Carlos

THE PRESIDENT HAS BEEN
4/14/96

Ciraso / Acuña

Ron Brown's wonderful
mission was supposed to
be an appointment last
week that was cancelled.

What happened - What does
he want me to do? Hume
apparently has an ~~idea~~ idea
to visit his system
in public housing - Pk check
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PK

4/14/96

URBAN FAMILY INSTITUTE

BE IN BY DARK!

Does the phrase "Be in by dark!" mean anything to you?

When speaking across the country, this is a question that never fails to bring a smile to the faces of "grown-folks" in the audience. It is often responded to with knowing laughter and looks of recognition and remembrance. "Be in by dark!" conjures up memories of dinner time with Mama and Daddy or other adults in your life asking you what you learned today; a time when you had a bedtime and you had to take your hat off in the house. You are fortunate to have such fond memories.

Many of our children are not so lucky. For these children, "Be in by dark!" has no meaning. For these children, it is not always safe to go out in the daytime. Fear of gangs, drugs, and random gunfire keeps many children inside regardless of whether it is light or dark out. In certain neighborhoods, danger lurks even in the schools. And most tragically, some of our children are not safe in their own homes.

THE URBAN FAMILY INSTITUTE'S MISSION

The Urban Family Institute (UFI) was founded in 1991 by Kent Amos as a non-profit 501(c)(3) organization. The mission of the Urban Family Institute is to create urban neighborhoods in which every family has the resources and support necessary to realize their full potential - individually and collectively - and to ensure that no child grows up without the close guidance, discipline, and nurturing of caring adults.

In order to carry out this mission, the Institute informs the public about child and family issues and encourages the public to help shape public policy in these areas. The Institute creates options for direct involvement at the family and neighborhood level through its Nurturing Village strategy.

THE NURTURING VILLAGE STRATEGY

A Nurturing Village is a large, urban neighborhood in which schools, churches, parents, local residents, child-serving organizations, and a variety of other entities coordinate their actions in order to create safe and nurturing environments for children. The Nurturing Village strategy strengthens communities by using volunteers to re-create the extended family that historically supported and sustained children. Our volunteers are primarily local community members who become "family," and who begin to feel a sense of responsibility associated with being a part of a family. In addition, volunteers from neighboring suburbs are also encouraged to contribute their time, energy and skills. The Urban Family Institute embraces and trains these untapped resources, ranging from young adults to seniors to sustain the neighborhood. This empowers communities to transform their will into the capacity to effectively care for their children. It is our belief that children who grow up in "nurturing villages" form a

bond with their community that contributes to the long-term stability of the neighborhood and the nation.

A model Nurturing Village consists of a complete matrix of developmental opportunities and services for children and families. This includes the following:

- **Kids Houses** - safe places for children to develop and grow when they are not in school.
- **Urban Family Universities** - residential learning communities which deliver a range of comprehensive education and family services in a University-like setting.

Kids House: A Role for the Community

The Urban Family Institute uses a proactive approach to fostering Nurturing Villages, by creating Kids Houses, led by child-centered adults. A Kids House may operate in a private home, a church, a school, a recreation center, or a public housing development - anywhere that appropriate space exists. Local residents interested in opening Kids Houses must demonstrate that their commitment is positive and unwavering. Although the Institute offers intensive training and support, it is vital to our philosophy that local residents take ownership for their own Kids House and for the children of that community. The Kids House strategy promotes long-term self-sufficiency of families and neighborhoods, without requiring new financial resources from government or private sources.

Kids Houses operate, at a minimum, five days a week. Children go to their "House" in the afternoon, finish their homework, eat supper, engage in discussions and activities with nurturing adults, and return, escorted by an adult, to their place of residence. The centering point of Kids House is the dinner hour. Historically, dinner was a time when children and adults came together to share and reflect upon the day. Preparing the meal, setting and clearing the table, and washing the dishes provided opportunities for every family member to contribute. At Kids House, not only do children receive a nutritious dinner meal, but they also experience the meaning and value of "family." Kids Houses provide a resource to parents and families by providing alternatives to formal child care for working parents, offering parent development workshops, providing parents with opportunities to enhance their neighborhood, and helping to raise children into productive adults.

Urban Family Universities: Adult Development

The UFU is a residential University-based model with the goal of enabling families to become independent, stable, healthy and functional in the larger community. Graduates of the UFU will be able to secure jobs, move from public housing to independently supported housing, become good neighbors, and nurture and support their children in a way which promotes positive development and growth. The four

components of an Urban Family University include residential life, academics, economic development, and health and social services.

Residential Life:

An UFU will be located in a public housing development. Participation will be voluntary with priority going to families already living at the selected site. Other families who would be eligible include: families currently living in public housing elsewhere in the city, homeless families who are eligible for public housing but not currently placed, and a small number of families (percentage to be determined) who are not eligible for public housing, but who have something to contribute to the community. These residents would include police officers, nurses, teachers, and social workers - some of whom may serve as professional staff at the University. In addition, there could be tuition-based opportunities for other community residents who would not be eligible otherwise. Families would live in single unit apartments. Families who need additional support to help them care for their children would have that opportunity available to them.

Academics:

The curriculum incorporates academics with health and social components described below. Academic courses range from basic literacy to college level.

Adult Academic Plan: The UFU offers a course of study which spans two to six years. The time frame depends on a number of factors including the level at which the community and the individual are functioning at the beginning of the process. The academic program is run jointly by the UFU management and by a local accredited four-year college or university. Completing a basic course of study at UFU results in certification at the Associates Degree level, with a specially created degree in an area such as Community Development or Child and Family Development .

Child Academic Plan: School-aged children residing at an Urban Family University will attend the local public schools. Pre-school-aged children will be enrolled in existing Head Start programs whenever possible. Babies and very young children as well as pre-school-aged children who are not served by Head Start will be cared for by a child care cooperative on campus at the Urban Family University. All children will attend an on-campus **Kids House** during non-school hours.

Health and Social Services:

One-Stop Shopping: An on-campus Community Center will house multiple health and social services for a "one-stop shopping" approach. Families will receive course credit for participating in physical, social, or mental health "classes," (training and development sessions), which will include anything from pre-natal care to good nutrition to drug rehabilitation. The Center will contain a health clinic, a

library/technology center, substance abuse treatment services, common eating areas (such as a cafeteria), recreation and fitness facilities, and family and individual counseling. The focus of the Center combines healing, teaching/learning and prevention.

Economics:

Cost-Benefit Analysis: The Urban Family University strategy promotes long-term self-sufficiency of families and neighborhoods, without requiring new financial resources from government or private sources. Funding will be redirected from less effective, fragmented programs serving similar populations.

Economic and Community Development: Everything from home-building, to child care, to grounds maintenance will be carried out with a maximum of direct support from the residents. Residents will be required to contribute "sweat equity" by working on the property in one of these functions. Residents will also pay rent and other expenses determined by a sliding scale according to ability to pay. Residents will be trained in all aspects of community and business development.

KENT AMOS
February 1996

Former combat officer in Vietnam, corporate executive with Xerox, and entrepreneur, Kent Amos is most widely recognized for his remarkable vision and experience adopting over 87 teenagers. Over the past fifteen years, Kent has gained national attention for opening his heart and home to children, from the District of Columbia and cities across America, who blossomed in a loving, family environment. The children were respected for their abilities, helped with special needs, and encouraged to achieve. Consequently, virtually all graduated from high school, dozens graduated from college, and most of his children are now responsible adults. Though filled with joy from their successes, Mr. Amos has not dismissed the pain of burying four of his children and seeing others go to jail.

By founding the Urban Family Institute, Kent Amos has expanded his vision and capacity to systemically reform the way communities nurture and develop children. The mission of the Institute is to create urban neighborhoods in which every family has the resources and support necessary to realize their full potential - individually and collectively - and to ensure that no child grows up without the close guidance, nurturing, discipline, and support of caring adults. In order to carry out this mission, the Institute informs the public about child and family issues and encourages the public to shape public policy in these areas. The Institute facilitates direct involvement at the family and neighborhood level.

The Institute uses its **Nurturing Village** strategy to create options for direct action leading to a *seamless web of care* in urban communities. The two primary building blocks of the Nurturing Village approach are: the Kids House and the Urban Family University. **Kids Houses** are safe environments for children to learn and develop outside of school hours that are run by nurturing child-centered adults. The **Urban Family University** model is a human approach to community revitalization. It encompasses all members of a given community and takes them through a developmental process based on the traditional university model. The distinguishing characteristic of an Urban Family University is that its curriculum is based on the needs of the participants with human development at its core. Thus, the range of courses could encompass personal development, physical and mental health needs, as well as traditional college courses.

In addition to running the Urban Family Institute, Kent Amos is also a noted speaker. Referred to as an "expert" on children, he uses this expertise to educate and inform average citizens and designers of public policy with the Institute's message of caring and commitment. Mr. Amos has testified before the U. S. Congress and other policy making bodies. He has been featured on many radio and television shows including "NPR," "Tony Brown's Journal," "Oprah," and NBC's "Today Show." Mr. Amos and "his kids" have also been featured in countless newspaper and magazine articles. In addition, Mr. Amos has been selected for leadership roles in a variety of collaborative efforts. Mr. Amos is humbled by the numerous citations, awards and honors that have been bestowed upon his work and is grateful for the outpouring of love that they represent.

Kent Amos and his wife Carmen live close to their extended family in Washington, DC.

REAL ESTATE

Cisneros Backs Live and Learn Housing Plan

D Proposal Would Put Classrooms in Developments

By Maryann Haggerty
Washington Post Staff Writer

Public housing developments would be able to learn as well as to live under a program announced this week by Housing and Urban Development Secretary Henry Cisneros. In the District, he said, would be an effort to demonstrate the concept.

Cisneros said he envisions housing developments modeled after college campuses, with units wired for computers and all residents required to attend classes each day—instructional training, educational day care, high school equivalency sessions or seminars for the elderly.

Classes could take place in new classroom buildings or at existing schools folded into the development, and local educational institutions would provide some faculty and support.

The program, which Cisneros called "communities of learners," is in the early stage of development. No locations have been chosen, and no pilot projects to evaluate and no specific amount of funding has been set aside. It is part of a larger \$1.5 billion program, "HOPE VI," under which local housing authorities get federal money to help demolish the worst of the nation's aging public housing developments and replace them with new developments integrated with services.

At the press conference where Cisneros announced the new education idea, he also cited demolitions that have taken place in the past year and are planned for 1996 under HOPE VI, which is the sixth in a series of programs formally christened Homeownership and Opportunities for People Everywhere.

In the past, dilapidated housing developments have been torn down in Baltimore, Philadelphia and other cities. In Washington, the Elston Dwellings on Capitol Hill, built in the 1950s, are scheduled for demolition in December.

Cisneros said he has invited the 32 public housing authorities that have been awarded HOPE VI grants, as well as others that have not, to consider the educational concept as an option when they rebuild.

See LEARNING, E7, Col. 1

Living and Learning Program Proposed for Public Housing

LEARNING, From E1

The goal is to help people better their prospects enough to move out of public housing altogether.

At HUD, one of the favorite targets of congressional budget cutters, there is not a lot of extra money lying around, but Cisneros said the agency will provide some additional grants to cities that participate in the new program.

"I'd love to try it in Washington, D.C.," he said. "We have HOPE VI in Washington, we have a new housing director. I'd love to do it in Washington, where everybody could see it."

Cisneros said he has had discussions with David I. Gilmore, the court-appointed receiver who this summer took over the D.C. Department of Public and Assisted Housing. Gilmore, he said, is interested in trying the concept at the Park Morton complex in Northwest Washington, near Howard University.

Gilmore was on vacation this week and not available for comment. Other D.C. housing officials also were not available.

A number of other public housing authorities also have expressed interest in the program, Cisneros said. Among them, he said, was New Orleans, where the infamous Desire housing development was demolished this week.

Because details on the proposal are sketchy, public housing advocate Deborah Austin said she couldn't comment at length, but that generally the idea is good.

"It sounds to me that it's not a bad idea, but I wonder if the dollars are there to make it happen," said Austin, director of legislation and policy at the Washington-based National Low-Income Housing Coalition.

Cisneros's proposal calls for wiring homes in these "communities for learning" for computer use. Austin said, "That would be a very progressive move. I don't see a downside to it except getting the dollars."

Her organization, she said, is more concerned about ensuring the public housing units being demolished with HOPE VI money are eventually replaced.

That's a particular worry in a political climate where HUD is in danger of shrinking drastically or disappearing completely, with much of its authority going to state and local governments.

There's a lot of demolition being talked about, but who's going to be around to see that the second half happens as it's supposed to?" she asked.

In an interview, Cisneros elaborated on his educational community proposal. The idea, he said, came from a

The goal of the HOPE VI program is to help people better their prospects enough to move out of public housing.

D.C. resident, Kent Amos, who over the years has tutored and mentored scores of underprivileged children.

"He came to me with this idea," Cisneros said. "You've heard of a conceptual blockbuster. He said, 'Don't think of public housing as public housing. Don't think of it as just a living space.'"

Instead, he said Amos told him, a concentration on all stages of education could turn a complex into a launching pad for people to improve their lives.

The idea has never been tried at the scale Amos and Cisneros envision it, Cisneros said, although some cities have attempted less ambitious public housing developments.

For instance, one assisted-housing development in Denver requires all residents to be in educational programs, but the classes are not offered on site.

Cisneros said he believes the new program can work. "Housing authority residents, housing authority officials, mayors—they all know this can be put together," he said.

"What really convinces me is the lifting effect on people. . . . If you give people the tools to improve themselves, most will take them," Cisneros said.

AN AFFLUENT ENTREPRENEUR IN WASHINGTON, D.C., gives new meaning to the concept of the extended family. Six years ago, Kent Amos and his wife Carmen, had only two children—Wesley, now 22, and Debbie, 17. Today, they have 42 girls and boys and, if Amos has his way, the number will soar geometrically. Why? “The capacity to love is without measure,” he says, “and so are the children who need help.”

The first Amos family additions were accidental: Basketball players Wesley brought home from Calvin Coolidge Senior High School after practice stayed for dinner and conversation one night and kept coming back for more. Typical inner-city kids, many were from broken homes or no homes, with most of the disadvantages that entails.

Milton Newton was one of them. He had spent most of his life getting into trouble—until he met Kent Amos. “Milton needed a lot of help,” Amos recalls. “I’m not sure where his father was. His mother was in the Virgin Islands. He needed family. He’d failed eighth grade and was having a rough time with ninth after his grandmother had sent him to live with an aunt here in Washington. I took a liking to him. For the last five years, he’s called me Dad.”

Milton and his friends soon became regular after-school visitors to the Amos home and were asked to stay for dinner almost every night. A routine was established: dining as a group, then a two-hour study period, there is silence—no phones, no television. They are required to do their work and study and read. Eventually, group discussions ensued about long-range goals, and then came private dialogues about their personal concerns. Soon, all the boys were calling him Dad, and Kent Amos was living the part.

He saw their teachers regularly, checked their report cards, attended their games and began to love them as his own. He also set rigorous standards for behavior and scholastic achievement, pledging college as a reward—and they met the challenge. Milton now 22, graduated from high school with honors and a full athletic scholarship to the University of Kansas, where he is completing his junior year. In addition to Milton, there are now 13 more “children” in college.

“The first kids just evolved,” says Amos. “But then Carmen and I made a conscious decision to broaden what we were doing. We decided our house could accommodate 20 to 25 kids a night. So we went to the school and said we would take them on.”

Kent Amos kept his expanding family running smoothly by tapping his business skills: He is a trained systems and management expert and was the youngest corporate director in Xerox history. A second refrigerator was purchased for the house; another pantry was added for paper plates, canned goods and fruit juices; shelves were stocked with school supplies, thesauruses and dictionaries. On most school nights and almost every evening in the summer, eight to 10 boys and girls gathered at the Amos home for what they could find in no other place—constant attention and continuous affection.

Initially, Carmen cooked for the group. But when the rapidly growing number became unmanageable for this homemaker with a demanding job as a customer service representative for Xerox, Kent sought out a sympathetic home-economics teacher at Coolidge High who agreed to prepare dishes in class if the Amoses would provide the food. Twice a month, Kent spends several hours in a supermarket stocking up. “I take four or five kids to the store,” he says. “Each one takes a shopping cart. We use a separate checkout lane just for us, and I spend from \$400 to \$500 every two weeks on food.”

Kent Amos’ favorite word in describing his relationship with his children is “consistency.” He admits that some youngsters are naturally smarter, cleaner, more attractive and more productive than others. “But that doesn’t matter,” he says. “I love and treat them all the same. They are all my children.”

Still, being consistent with these children tests the Amoses for more emotional fiber than most middle-class parents will ever need. Kent had to go to court with one of his first boys, an 18-year-old who later broke probation after being arrested for burglary. He was sent to prison where his real father and stepfather were inmates. During regular visits, Kent oversaw the boy’s efforts to acquire a GED (high school equivalency diploma). He since was released from prison and has a job. A worse fate befell André, slain at the age of 17 by a drug dealer against whom he had agreed to testify. André was killed in the autumn of 1985 in the same house in which his father had killed his mother 10 years earlier.

Most of the children have only a single parent, or they live with relatives in large groups of siblings or half-siblings where father figures, if present, often are involved in illegal activities. A few have stable homes, but most face overwhelming financial disadvantages. One boy—a top ranking student from a strong, solid home—lost his father to cancer.

After Kent stops by the school—first to watch his girls at cheerleading practice, then to measure the basketball team’s progress and, finally, to check on one talented forward whom he once had ordered off the court until he’d improved his grades—he arrives home shortly before his children do. Carmen is icing a cake (two boys are celebrating birthdays tonight), and they have a rare moment to measure the personal costs involved in being responsible for so many lives. Kent insists the costs are minimal. The 14 young people in college all have scholarships that require only supplemental living expenses, although occasionally one of the youngsters has a pressing need, including clothing—from underwear to a topcoat. Kent estimates that he spends from \$15,000 to \$20,000 each year on his brood; hardly small change. But he looks around his tastefully furnished home and says, “I’m living with a pretty nice house, I have a good life and manage my money well...My wife and I each drive a Mercedes...What am I giving up—stocks?”

How about leisure time?

Kent shrugs away the thought of any activity that does not include Carmen or the children. “They *are* my life,” he says.

The children burst through the door at this point, strewing jackets across a giant pool table and carrying foil-wrapped platters of lasagna and bowls of salad into the kitchen. Carmen directs the table-setting and food-warming for tonight’s group of 14, some of whom already are studying for exams. Kent soon is in the midst of them, firing questions. Though Carmen appears infinitely calm, she says that Kent has far more patience with this daily gathering of youngsters. “I’m more private than he is,” she says. “Once I get everybody situated and fed, I” take my quiet time. Kent thrives on having the kids around. He’s the special force.”

Her only major problem, she says, initially involved losing her living room to a study hall. But Carmen and Kent eventually set up tables in another part of the house so the kids could study and she occasionally could entertain friends. “If there were a lot of dishes, or if I’m tired, the kids’ll do them,” Carmen says. “They are also good about picking up after themselves. We share a lot of love. That’s why the program works.”

And it is a program now. At the beginning of 1986, Kent set up his own management-consulting firm, The Triad Group. Concurrently, with a major contract from Xerox, he orchestrated the nonprofit Urban Youth Investment Program, which already has installed \$250,000 worth of computer equipment in Coolidge High to train students for skilled jobs. Kent not only intends to expand his own parental responsibility to 200 children, but he also hopes to provide a concrete programmatic model for others who might wish to pursue his vision.

After dinner, Kent savors the quiet as the children study. Among his successes is Derrick Davis, 20, who once faced glum prospects. Just two years ago, Derrick was going nowhere. Then Kent arranged living space for him in a good home and took him into the Amos program. Today—after leading Collidge High’s basketball team to the city championship and being named all-American—Derrick is a freshman at Oklahoma State University, which granted him an athletic scholarship.

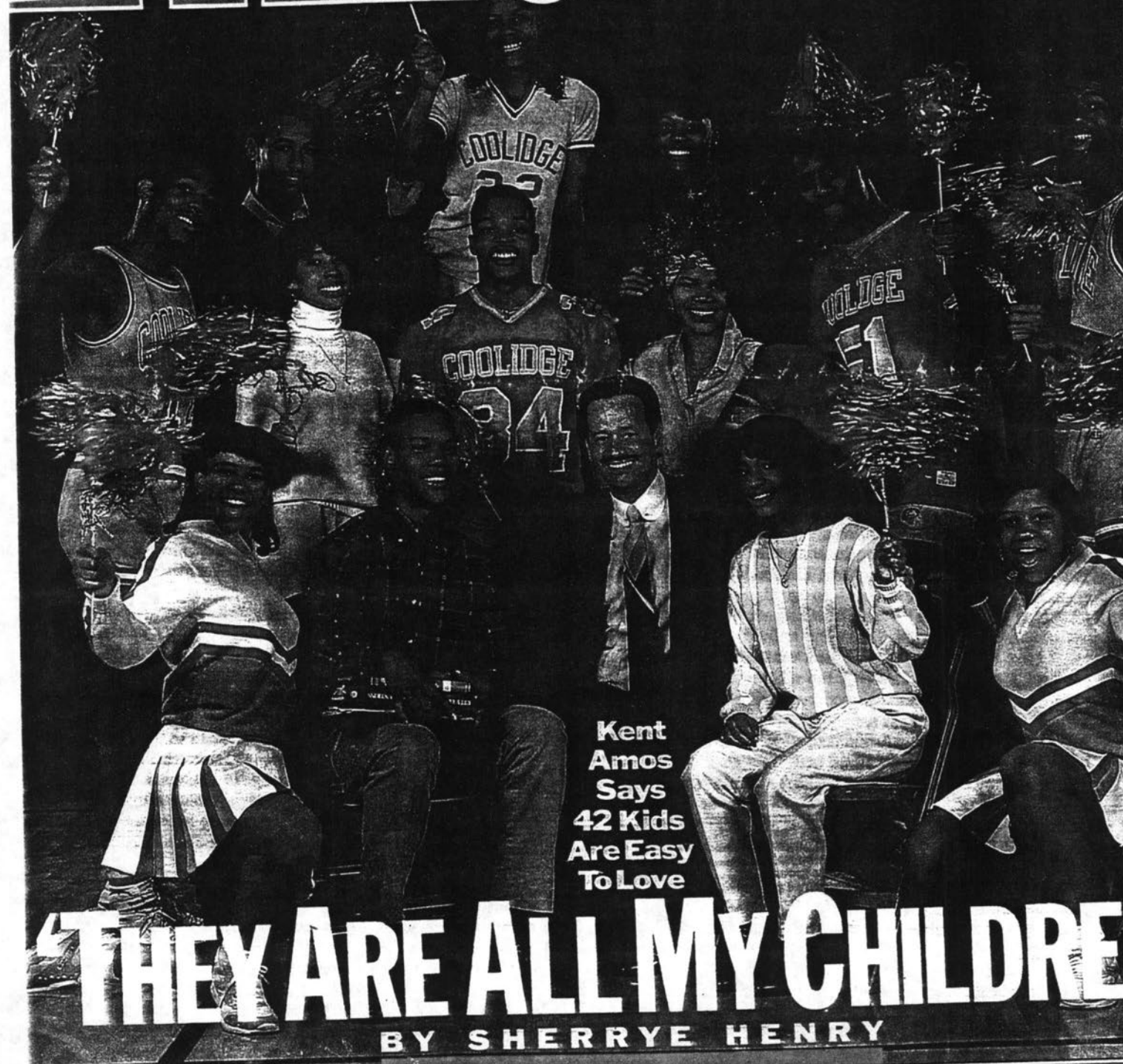
Derrick remembers the dark days, before Kent Amos helped him: “I was a street hustler. I wanted to make fast money. I was living with my father, and things weren’t going right between us. I had a girlfriend...she had a baby...When I first came to Coolidge, I didn’t have anything on my mind but cutting class, hanging out with the boys who didn’t go to class. Then Mr. Amos came to me and asked me what kind of life did I want. He said if I went to school, enhanced my study habits, I could have that. What I said I wanted—what I want—is a nice job, a nice family and to raise my own kids someday. After he talked to me, I said: ‘Why throw that away when I can give it a chance?’ and they say, ‘Yeah, that’s good.’ Good that I’m trying to make something out of myself. Since my father’s seen some of these people trying to help me, he’s been coming back. This program made a big difference for me. Now I can dream of being like Mr. Amos—helping young people.”

Kent Amos passionately believes in people and the power of love. “These kids don’t need to drown,” he says. “There are enough substantial adults out there—entertainers, athletes, professional people—who can make a difference and who—if they would just walk into the water and lock arms—would stop these kids from being swept downstream.” There are, he maintains, vast numbers of children ready to be saved, and well-meaning people ready to help—if shown what to do.

“Kids are easy to love, once you get to know them,” says Kent Amos, “and love is truly the answer.”

SUNDAY, MAY 3, 1987

PARADISE



Kent
Amos
Says
42 Kids
Are Easy
To Love

THEY ARE ALL MY CHILDREN

BY SHERRY HENRY

4114196

WASHINGTON

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Plant

TO: The President

RECOMMENDED BY: John Hilley JH

BACKGROUND:

Senator Hatch is both the Chairman of the Senate Judiciary Committee and the chairman of the antiterrorism conference. His desire to craft a conference agreement that will be approved by both the House and the Senate is driven by his longtime quest for habeas corpus revisions -- a quest he believes will be fulfilled if this conference agreement is enacted. Key to enactment, however, is the President's signature on the bill and Senator Hatch is not quite sure whether the President will sign a bill that contains seriously troubling habeas provisions and weak antiterrorism provisions. Moreover, a Presidential veto of a weak terrorism bill is very likely sustainable.

Therefore, to convince Senator Hatch that he must present the President with a strong antiterrorism bill, this telephone call should emphasize the President's desire for legislation that will give law enforcement the tools it needs to prevent both domestic and international terrorism. Specifically, the President has on several occasions (the most recent being the 4/13 radio address) called for a bill that would: 1) provide explicit authority to prevent fundraising in the U.S. by terrorist groups like Hamas; 2) provide authority to quickly

deport aliens who support terrorist activities; 3) authority for high-tech surveillance (e.g. "roving" wiretaps) and other investigative tools to track terrorists; and 4) require explosive materials to be chemically marked by taggants. For additional specifics, Senator Hatch should be referred to letters to the conferees sent by the Department of Justice, the Department of State, the Department of the Treasury and the Federal Aviation administrator.

Additionally, the President should not indicate whether he will sign or veto the antiterrorism measure, but he should certainly leave the impression that a weak bill would ultimately damage Republicans more than the President. This would be especially true if the White House continued to portray a weak bill as soft on terrorists.

Finally, Republican and Democratic conference staff indicate (as of Friday C.O.B.) that the conference agreement will not contain either a provision on taggants or significant wiretap authority. Senator Hatch supported both of these measures when they were considered as part of the Senate-passed terrorism bill, he should be urged to do so as part of the terrorism conference report.

TOPICS OF DISCUSSION:

1. The need for the strongest possible antiterrorism bill.
2. No decision on veto.
3. A weak terrorism bill is ultimately worse for Republicans.

CONTACT PERSON AND

TELEPHONE NUMBER(S): Senator Hatch's home number is 703-938-9294. He will be home all day Sunday, April 14, except for 11:15 a.m. to 2:45 p.m. when he attends church services.

Ruth Montoya is Senator Hatch's Executive Assistant and designated White House contact person for the Senator. Her home telephone number is 703-644-1224.

DATE OF SUBMISSION: April 13, 1996

ACTION: _____

Recipe for Growth

By FELIX G. ROHATYN

The American economy is now constrained by a financial iron triangle, in part created by the Republican majority together with the Clinton administration, from which it is difficult to break out and which is beginning to generate serious social tensions.

• The first leg of this triangle is the commitment to balance the budget in seven years. Even though there has never been a rational explanation for this time frame, it has now become part of the political theology. It would be as dangerous for either party to depart from it, say by suggesting that eight or nine years would be equally logical, as it was for George Bush to abandon his "No new taxes" pledge.

• The second leg is an extension of the first and is more restrictive in its effect: It is the acceptance, by both parties and blessed by the Congressional Budget Office, that our economic growth rate will be 2.2% for the seven-year period. Even though projections are notoriously inaccurate even over much shorter periods, this particular projection is becoming both a prediction and a self-limitation. It implies that this rate of growth is the limit of what our economy is capable of without inflation. Since this view has the support of the Federal Reserve, the Treasury and the financial markets, it has become a de facto limit on economic growth. The markets and the Fed react to any appearance of acceleration with higher interest rates and the economy then falls back to 2.2% or below.

• The third leg of this triangle is the impact of technology and global competition on incomes and employment. The lethal political combination of corporate downsizing together with ever-increasing differentials in wealth and income among Americans of differing levels of education and skills, and the huge rewards to capital as the result of the boom in the securities markets, are creating serious social tensions and political pressures.

Unless we can somehow break out of this iron triangle, we could face serious difficulties, and the best hope for a break-out is to make a determined effort for a higher rate of economic growth. Only higher growth, as a result of higher investment and greater productivity, can make these processes socially tolerable. In order to deal constructively with the realities of technology and the global economy, Democrats and Republicans may have to abandon cherished traditional positions and turn their thinking upside down: Democrats may have to redefine their concept of fairness, while Republicans may have to rethink the role of Government.

Economic Insecurity

The American economy is growing very slowly despite occasional upward blips. Growth and inflation are both around 2%. Our main trading partners, Europe and Japan, are undergoing serious economic strains of their own, with German unemployment nearing 10% and French unemployment near 12%. Fiscal contraction is taking place on both sides of the ocean as the Maastricht criteria are maintained in Europe and deficit reduction continues as a priority here, feeding a general sense of economic insecurity. The winds of deflation could be stronger than the winds of inflation.

At the same time, the Dow Jones Industrial Average is near its all-time high of 5700, mergers and restructurings are still taking place at a record pace, and layoffs and downsizing are continuing as the inevitable result of global competition and technological change. And Pat Buchanan has created a political groundswell, on the left as well as on the right, by identifying real problems but proposing solutions based on fear, xenophobia, isolationism and protectionism. It is frightening to think of the political impact of a Buchanan if unemployment were now 7.5% instead of 5.5%. All that it requires is the next recession.

The social and economic problems we face today are varied. They include job insecurity, enormous income differentials, significant pressures on average incomes, urban quality-of-life and many others. Even though all of these require different approaches, the single most important requirement to deal with all of them is the wealth and revenues generated by a higher rate of economic growth. John Kennedy was right: A rising tide lifts all boats. Although it may not lift all of them at the same time and at the same rate, without more growth we are simply redistributing the same pie. That is a zero sum game and it is simply not good enough.

The fact that our 2%-2.5% present growth rate is inadequate is proven by the very problems we face. The question of when, and especially how, to balance the federal budget deserves a great deal more intelligent discussion than the political sloganeering we have heard so far. The budget is a document that reflects neither economic reality nor valid accounting practices. If the budget is to be balanced in order to satisfy the financial markets, only real justification of this goal, then it must be done with growth rather than with retrenchment. That higher growth, together with controlling costs of entitlement like Medicare, Medicaid and Social Security, will generate the capital needed to provide

Democrats and Republicans may have to abandon cherished traditional positions and turn their thinking upside down: Democrats may have to redefine their concept of fairness, while Republicans may have to rethink the role of Government.

both private and public investment adequate to the country's needs.

Bringing the rate of growth from its present 2%-2.5% to a level of 3%-3.5% would generate as much as an additional \$1 trillion over the next decade. It could provide both for significant tax cuts for the private sector as well as for the higher level of public investment in infrastructure and education required as we move into the 21st Century. It would obviously generate millions of new jobs. The present bipartisan commitment to balance the budget in seven years, based on the present anemic growth, is economically unrealistic and probably socially unsustainable. In all likelihood, higher growth is in fact the only way to achieve budget balance. The question is how to achieve it.

The conventional wisdom among most academic economists as well as the Treasury, the Federal Reserve Board and Wall Street is that our economy cannot generate higher growth without running the risk of triggering inflation. Not everyone shares that view. In particular, the leaders of many of this country's leading industrial corporations believe that we could sustain significantly higher growth rates based on the very significant productivity improvements they are generating in their own businesses, year-after-year.

Economics is not an exact science as we have painfully learned over and over again. It is the product of the psychology of millions of consumers, of business leaders making long-term investment decisions, of capital flows instantaneously triggered by events and ideas. We must do away with the false notion that we must choose between growth or inflation. Our experience, even in the more recent past, shows that technology and competition can produce growth without serious inflationary pressures. In the face of today's totally new environment of almost daily revolutions in technology combined with globalization, we should be willing to be bolder, both in fiscal and monetary policy.

As a traditional Democrat, I have always believed that freedom, fairness and wealth, basic to a modern democracy, required an essentially redistributionist philosophy of wealth, that a fairly steeply graduated income tax was required as a matter of fairness and that lower deficits would guarantee adequate growth and a fair distribution of wealth. The experience of the last two decades, with the advent of the global economy, has very much shaken that view.

Fairness does not require the redistribution of wealth; it requires the creation of wealth, geared to an economy that can provide employment for everyone willing and able to work, and the opportunity for a consistently higher standard-of-living for those employed. Only strong private sector growth, driven by higher levels of investment and superior public services, can hope to providing the job opportunities required to deal with technological change and globalization. Only higher growth will allow that process to take place within the framework of a market economy and a functioning democracy.

We should have no illusions about the

likelihood of reducing the level of present income and wealth differentials; they are likely to increase in the near future as the requirements for skills and education increase. The world is not fair; we must, however, make it better for those in the middle as well as at the lower end of the economic scale. The key is enough growth that, even if initially the lower end does not gain as rapidly as the upper, it can improve its absolute standard of living, and being a process of closing the gap.

Higher growth requires a tax system that promotes growth as its main objective. It must encourage higher investment and savings. That is not the case today.

Today's tax system aims at a concept of fairness dictated by distribution tables. That may not be the best test. A tax system with growth as its main objective may be a variation of the flat tax; or it may be a national

sales tax; or it may be another system aimed at taxing consumption instead of investment such as proposed by Sens. Sam Nunn and Pete Domenici.

The power and dominance of global capital markets in today's world would seem to aim in the latter direction. Lowering taxes on capital would at first blush seem to help the already wealthy, current holders of capital. But whatever its effect on the distribution tables, it could unleash powerful capital flows, both domestic and foreign, that would lower interest rates significantly and make investment in the U.S. even more competitive than it is today. At the same time, they would main-

THE WALL STREET JOURNAL

THURSDAY, APRIL 11, 1996

tain the strength of the dollar and maintain low rates of inflation.

Achieving the objective of higher growth could also include the gradual privatization of Social Security in order to create a massive investment pool with higher returns for the beneficiaries and greater investment capabilities for the private and the public sector. The key to economic success in the 21st Century will be cheap and ample capital, high levels of private investment to increase productivity, high levels of education and advanced technology. It also includes higher levels of public investment in building a national infrastructure supportive of the 21st century economy.

If the Democrats can redefine their concept of fairness, Republicans, on the other hand, may have to abandon their view of passive government. If growth and opportunity are to be the prime objectives of our society, the government must play an active role in some areas. The first is education; the second is higher levels of infrastructure investment; the third is in the maintenance of a corporate safety net.

Public school reform, driven by higher standards, is an absolute priority. Even though that is a state responsibility, it is a national problem. These standards, regardless of today's political conventional wisdom, will ultimately be national in scope. Access to higher education should be made available to any graduating high school senior meeting stringent national test levels and demonstrably in need of financial assistance. The equivalent of the GI Bill, providing national college scholarships to needy students, should be created and federally funded. It should be the primary affirmative action program funded by the federal government.

As part of a higher economic growth rate, state and local governments should provide higher levels of infrastructure investment. In addition to the creation of private employment, this could also provide public sector jobs to help meet the work requirements of welfare reform, as well as to provide the support to a high capacity modern economy. Financial assistance from the federal government would encourage the states in that endeavor. Higher growth would enable federal as well as state and local budgets to take on this responsibility.

THE PRESIDENT HAS SEEN

4-18-96



John F. Kennedy

THE PRESIDENT HAS SEEN

4-14-96

rec'd 4-11-96
8:03 am

THE WHITE HOUSE
WASHINGTON

April 11, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: ALEXIS HERMAN

SUBJECT: RELIGIOUS OUTREACH ON H.R. 1833

*(see attached)
We must
be able to
answer the questions
a faith - at Alton -
which is misleading
+ only one version of what
I+*

Per our conversation, I wanted to outline our outreach efforts to religious outlets on H.R. 1833. As you are aware, personalized letters were sent to several prominent leaders outlining your position on the bill. In addition, we are taking the following steps to ensure the religious community understands the reasons why you vetoed H.R. 1833.

*offer to only one
person - Cardinal
Bernardin
to see
the transcript*

I. Catholic Leaders

We are working with Catholics who are influential on the national level and in targeted states in order to convey your position and rationale adequately to the Catholic lay community. We are talking and sending materials that include: the transcript of the veto event, your veto message, and the letter to Cardinal Bernardin.

III. Specialty Press

The following list of Religious press organizations have been sent copies of the transcript, letter and remarks: Religious News Service, Associated Baptist Service, Catholic News Service, Catholic Health World, and Religious News Service.

At this point, we know that Religious News Service is writing a story; the special press office has been in close touch with the reporter to make sure she had the transcript and letter.

IV. Other Religious Leaders

We will send a personalized letter from you (the original letter staff secretary sent) and a copy of the transcript to approximately 400 friends in the religious community including leaders from Jewish and Hispanic communities.

If this issue continues to play out and you are interested in continuing the dialogue with religious groups, we could consider the following:

- 1) bring in religious organizations for a briefing by senior administration officials on your position;
- 2) accept the invitation for you to speak to the Catholic Press Association's convention in May.

cc: Leon Panetta
Harold Ickes
Evelyn Lieberman

April 11, 1996

MEMORANDUM TO ALEXIS HERMAN

FROM: BARBARA WOOLLEY

RE: OUTREACH TO PROVIDER COMMUNITY--H.R. 1833

The following information summarizes the provider community activities in regard to the President vetoing H.R. 1833.

- * 3 Statements: American College of Obstetricians and Gynecologists (ACOG)
American Medical Women's Association (AMWA)
American Nurses Association (ANA)
- * AMWA: Task Force will do press across the U.S.
National President sent letter to LA Times.
- * ANA: National President wrote Op Ed for Tennessee newspaper.
Government Relations Committee will do press.
- * California Physicians for Clinton/Gore:
Dr. Susan Reynold sent letter to Editor to LA Times.
Dr. Patricia Salber sent letter to Editor San Francisco Chronicle.
- * Other Physicians participated in press in the following states: OH, NY, NH, IL, GA, CA, TN.

Attachments

cc: Marilyn Yager
Betsy Myers

*not extensive
leaves*

The
American
College of
Obstetricians and
Gynecologists

April 9, 1996

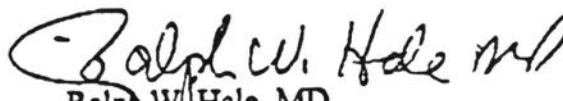
William Jefferson Clinton
The President of the United States of America
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20100

Dear Mr. President:

The American College of Obstetricians and Gynecologists (ACOG), an organization representing more than 37,000 physicians dedicated to improving women's health care, does not support HR 1833, the Partial-Birth Abortion Ban Act of 1995. The College finds very disturbing that Congress would take any action that would supersede the medical judgment of trained physicians and criminalize medical procedures that may be necessary to save the life of a woman. Moreover, in defining what medical procedures doctors may or may not perform, HR 1833 employs terminology that is not even recognized in the medical community -- demonstrating why Congressional opinion should never be substituted for professional medical judgment. Accordingly, ACOG supports your decision to veto this legislation.

Thank you for considering our views on this important matter.

Sincerely,


Ralph W. Hale, MD
Executive Director



AMERICAN MEDICAL WOMEN'S ASSOCIATION

For Immediate Release
April 10, 1996

Contact: Anne Pritchett, Director
of Public Affairs and Government
Relations 703/838-0500

AMWA ENDORSES PRESIDENT CLINTON'S LEADERSHIP IN VETO OF H.R. 1833

Alexandria, VA -- The American Medical Women's Association supports President Clinton's veto of H.R. 1833, which would have prohibited physicians from performing a specific surgical procedure to terminate pregnancy. "Throughout the debate on the issue of abortion, AMWA has sought to protect the reproductive rights of American women and has opposed any legal requirements for medical or surgical care decisions," said AMWA President Dr. Jean Fourcroy. "We strongly support the principle that all medical care decisions should be left to the judgment of a woman and her physician without governmental restrictions placed on her physician's judgment and without fear of civil action or criminal prosecution."

H.R. 1833 would have dictated available procedures to be used by physicians rather than allowing physicians to use medical judgment to determine the most appropriate treatment for patients. "We hope that the President and members of Congress will ensure that there is no further erosion of the constitutionally protected rights guaranteed by *Roe v. Wade*," says Dr. Fourcroy.

"We cannot support any measures that seek to undermine the ability of physicians to make medical decisions. It is medical professionals, not the President or Congress, who should determine appropriate medical options," concludes Dr. Fourcroy.

Founded in 1915, the American Medical Women's Association represents over 13,000 women physicians and medical students and is dedicated to promoting women's health. AMWA President Jean Fourcroy, MD, PhD, is a clinical urologist and holds clinical appointments at the Uniformed Services University of Health Sciences, F. Edward Hebert School of Medicine. Dr. Fourcroy's accomplishments include serving as president of the National Council on Women in Medicine and National Council on Women's Health as well as co-authoring a chapter for *The Women's Complete Healthbook*.

American Nurses Association
600 Maryland Avenue SW
Suite 100 West
Washington, DC 20024-2571
Tel. 202 651 7000
Fax 202 651 7001

FOR IMMEDIATE RELEASE
April 11, 1996

CONTACT: Sara Foer
202/651-7023

AMERICAN NURSES ASSOCIATION SUPPORTS VETO OF LATE-TERM ABORTION BILL

Calls legislation an intrusion into a personal health care decision

WASHINGTON, DC ---The American Nurses Association today commended President Clinton's veto of legislation which would have prohibited health care providers from performing a certain type of late-term abortion.

ANA opposed this legislation as an inappropriate intrusion of the federal government into a therapeutic decision that should be left in the hands of a pregnant woman and her health care provider. ANA has long supported freedom of choice and equitable access of all women to basic legal health services, including services related to reproductive health. This legislation would impose a significant barrier to those principles.

"Registered nurses have worked for decades to make real the goal of every birth being planned and wanted. These late-term abortions are rare and tragic, and they occur when something has gone terribly wrong with a pregnancy," said ANA President Virginia Trotter Betts, JD, MSN, RN. "It is inappropriate for the law to mandate a clinical course of action for a woman who is already faced with an intensely personal and difficult decision. If a woman and her health care provider determine that this procedure is safest for protecting her life and health, the government should not intrude. This protection of a woman's right to choose safe, reproductive care is the essence of *Roe v. Wade*."

###

The American Nurses Association is the only full-service professional organization representing the nation's Registered Nurses through its 53 constituent associations. ANA advances the nursing profession by fostering high standards of nursing practice, promoting the economic and general welfare of nurses in the workplace, projecting a positive and realistic view of nursing, and by lobbying the Congress and regulatory agencies on health care issues affecting nurses and the public.

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NEWS RELEASE

Grosvenor Hall
Athens, Ohio 45701
Phone 614-593 2178

Office of the Dean



For Immediate Release: 4-11-96

Op-Ed Regarding President Clinton's Veto of HR 1833
By Barbara Ross-Lee, D.O.
Dean, Ohio University College of Osteopathic Medicine

LEGISLATORS SHOULD NOT DECIDE CLINICAL PRACTICE OF MEDICINE

President Clinton vetoed a House Bill (HR 1833) Wednesday which would have prohibited physicians in America from performing a certain type of abortion, typically done only in the third trimester when a woman's health or life is in danger. The bill would have outlawed performing the procedure under any circumstances.

I agree with the President's decision. This bill should not have become law because this type of legislation supercedes sound medical decision making and shakes the very foundation of the doctor-patient relationship we have in our nation. This type of legislative "solution" to a very complex medical circumstance seeks to implement bad policy that has avoidable life-threatening implications.

How can physicians make informed, objective medical decisions based on the health of the patient in cases when legislation prevents him or her from doing so? Legislation such as this - which ties the hands of physicians and prevents them from safeguarding the health of their patients - would erode the patient-physician confidence and trust which serves as the cornerstone of health-care delivery in the United States.

The crux of HR 1833 comes down to this: I don't believe the American people want legislators to decide their health care treatment, particularly when their lives may be seriously threatened. This is an issue that I can relate to both personally and professionally. I am alive today because of third trimester induced deliveries implemented late in three of my pregnancies to save my life - while heroic life-saving measures were also instituted for my babies. One of these babies survived. Today I have a life-saving third trimester-induced delivery to thank for my beautiful daughter who is now enrolled in college.

Solutions other than outright prohibition to this very complex issue can and must be found. This legislation, as it stands, is summary punishment handed down to all patients and physicians who find themselves facing this difficult and personal decision.

Editors Note: Barbara Ross-Lee, D.O., has served as Dean of the Ohio University College of Osteopathic Medicine (OU-COM) since 1993. She was the first osteopathic physician to participate in the prestigious Robert Wood Johnson Health Policy Fellowship, where she served as a legislative assistant for health for U.S. Sen. Bill Bradley of New Jersey. She was named a fellow of the American College of Osteopathic Family Physicians last fall. She is also currently serving a four-year term with the prestigious 18-member National Advisory Committee on Rural Health.

For more information, contact the Dean's Office at OU-COM at 614-593-2178.

SUSAN F. REYNOLDS, M.D., Ph.D.
652 JACON WAY
PACIFIC PALISADES, CA 90272
(310) 454-4933
F (310) 454-5934

April 11, 1996

Letters to the Editor
The Los Angeles Times
Times Mirror Square
Los Angeles, CA 90053

Dear Editor:

I am writing in support of President Clinton's decision to veto HR 1833, a bill which would have made it a criminal offense for doctors to perform a certain type of abortion. Although this is a highly charged and emotional issue, I believe that women and physicians should applaud the President's courage in defending what is currently legal and, in rare instances where medically necessary, acceptable medical practice.

The procedure in question is used only if the woman's life or health is threatened or if there are gross fetal abnormalities incompatible with life. Medical science has developed appropriate procedures to deal with tragic events in pregnancy when and if they occur. Qualified doctors must do post-graduate training in Obstetrics and Gynecology learning the indications, risks, and complications of abortions procedures.

It would be a dangerous precedent to allow lawyers, legislators, or Supreme Court justices to determine appropriate medical procedures. Scientific investigation and medical ethics should determine the scope of a physician's practice. What Congress should do is make sound laws, not practice medicine. The Supreme Court should determine which laws will stand.

The President's role is to uphold and defend the law of the land. That is exactly what he did by vetoing HR 1833. Although not an easy decision, his action supported the constitutional requirements determined by the Supreme Court. His compromise on this bill to this effect was rejected. His action also supported the concept that doctors, not legislators, should determine what is an appropriate medical procedure. He deserves our support.

Sincerely,


Susan F. Reynolds, M.D.

THE WHITE HOUSE

WASHINGTON

April 3, 1996

96 APR 3 P2:22

MEMORANDUM TO THE PRESIDENT

FROM: LAURA TYSON

SUBJECT: DECISIONS FOR CORPORATE CITIZENSHIP CONFERENCE

*Paul Houston
gave me idea + moved
forward*

*POTUS had been summoned
for N. Lee's group which
has been producing trip plans
& has both trips*

Since the date of the corporate citizenship conference is only one week away, it is imperative to get your sign-off or comments today on the structure for the event and the people we are inviting.

I. BREAKFAST:

A. POTUS welcome

B. Tables of 8-10 with POTUS, VPOTUS or Economic Principals

- Discussion of issues and questions solicited from business leaders.
- Administration official as discussion leader at each table.
- Minutes from each table discussion summarized for the President.

The concept here is to use this breakfast event not as a public forum, but as a private East Room event in which to engage many top CEOs on the subject of corporate citizenship. To ensure that every participant feels that he or she has real input, we would present common questions at each table, with either you, the Vice-President, or one of your top economic cabinet members serving as discussion leader at each table. (e.g., Panetta, Rubin, Reich, Brown, Tyson, Rivlin, Stiglitz, McLarty, etc.) You would make some opening comments at the beginning of the breakfast and pose some common questions that would be discussed at each table. Minutes would be kept at each table and sent to you, so that all participants know that you would directly hear their views.

The number of people at the breakfast meeting would be anywhere from 70-125, depending on who can make it. One question is how much labor participation we should have. Our current recommendation is about 5-7 union leaders or perhaps one per table.

BC

II. PUBLIC PRESENTATION: The public presentation will be at Gaston Hall at Georgetown from 11:00 a.m. - 2:30 p.m.. Our current plan is to have two 90 minute sessions with a 30 minute box-lunch break in the middle. The first session would focus on workers and family -- encompassing three of your corporate citizenship principles, "family friendly," "pensions and health care," and "safe and secure workplaces." The second would focus on "employability security and partnership," which encompasses your principles of "investing in workers" and "partnership in good times and bad," and which includes participation, gain-sharing, and laying off the right way.

Although the average firm represented will be large and unionized, we are designing each panel to include a small business and at least one non-union firm. We also anticipate that the Vice-President would participate in the second panel as the CEO of reinventing government, leading a discussion of how we downsized the workforce the right way -- working with workers.

To ensure a lively dialogue, we plan to solicit some questions from CEOs in advance, so that we can raise provocative questions that people in the private sector want answered. Below we provide a list of companies we have started to invite, and a short description of each that the Labor Department has compiled. All firms have been carefully vetted. We should stress that each company has been chosen to exemplify one principle -- not all five.

Issues for Your Consideration:

Leon Panetta feels strongly that there should be some worker presence not only at the breakfast meeting but also on each panel. Therefore, we are currently planning to have each panel include at least one example of a company and a union that have worked together in a particular goal area. The panel participants would include both the CEO and the labor leader, who would give the presentation jointly for that company. An alternative is to have a local union leader and a plant manager who have worked well together give this presentation. We need to have your feedback on the issue of worker involvement in both the breakfast meetings and the panel.

We also need to decide whether we want to use the public sessions as an opportunity to announce another event, such as a workers in transition event or a workers and managers dialogue. The downside of such an announcement is that it might lock us into an event that we might later want to have a different focus: the upside is that it shows that the CEO event is only one of a series of events that you are doing to focus on economic security as part of your overall economic growth and change agenda. We will also have to decide whether we can announce the foundation of a private-sector group to develop a foundation for a Baldrige-type award for corporate citizenship. Mack and Alexis are taking responsibility for this, and so far their feelers have elicited a positive reaction from several business leaders. Finally, we need your feedback on the list of invited companies, and whether you have different views as to who should be invited.

PANEL I: Family Friendly, Safe and Secure Work Environment

Recommended Panel:

POTUS
VPOTUS
Rubin
Brown
Felpro
Proctor and Gamble
Patagonia
Monsanto
Johnson & Johnson
Xerox
Cine-Made or Opteva

Other Possible:
Starbucks
DuPont

Structure:

POTUS	5 Minutes	
Issue A:		
3 CEO Presentations	15 minutes	(5 minutes each)
Discussion	20 minutes	
Issue B:		
3 CEO Presentations	15 minutes	
Discussion	20 minutes	
Crowd Q & A	15 minutes	
TOTAL	90 minutes	

BREAK: 30 Minutes

PANEL II: Partnership with Employees: Participation, Training and Layoff Issues:

POTUS
VPOTUS
Reich
Tyson
Harley-Davidson
Corning
Republic Steel
Levi-Strauss
Detroit Diesel
Ameritech
Small Business

Other Possible:
General Electric?

Structure:	POTUS	5 Minutes	
	Issue A:		
	3 CEO Presentations	15 minutes	(5 minutes each)
	Discussion	20 minutes	
	Issue B:		
	3 CEO Presentations	15 minutes	
	Discussion	20 minutes	
	Crowd Q&A	15 minutes	
	TOTAL	90 minutes	

4-14-96

THE WHITE HOUSE

WASHINGTON

March 29, 1996

96 MAR 29 P 4: 48

MEMORANDUM TO THE PRESIDENT

THROUGH: LAURA TYSON

FROM: GENE SPERLING
JON ORSZAG

SUBJECT: A Comparison of Your Economic Record With Your Two Predecessors

There has recently been several articles and analyses by the Joint Economic Committee that have compared how the economy has performed under our Administration as compared to the previous two Administrations.

Several of these analyses are flawed, however, by the selective use of statistics from select time periods. The main example is that many of these analyses compare the Clinton record (or only a year of it) with a portion of the Reagan Administration -- starting in late 1982, at the end of one of the worst recessions since the depression. In other words, they measure the Reagan record by simply ignoring the worst two years. It is like a student who got a "C" in a course, claiming they should have gotten an "A" because their two worst exams should have been thrown out. Certainly, any Administration's record would look better -- including ours -- if the worst 25% can be ignored. Other times, people do analyses that cover the period only from the end of the recession in 1982 to the beginning of the last recession in 1990.

To cut through these selective studies, we have provided an objective analysis that does not seek to use selective time periods. Instead, we compare how the economy has performed under the entire period of the Clinton Administration, the Bush Administration, the Reagan Administration, and the Bush-Reagan Administrations combined. This analysis shows quite clearly how strong the economy has performed under our Administration as opposed to how the economy has performed under the prior two Administrations either separately or combined. What may be surprising to some, is how well the economy has done under our Administration as compared to the entire Reagan Administration.

Of 40 economic indicators, the economy performed better under your Administration than under the Reagan Administration in 34 indicators (85% of the indicators), better under your Administration than under the Bush Administration in 37 indicators (92.5%), and better under your Administration than under the combined Reagan/Bush Administrations in 36 indicators (90%). (Note: the Chicago Bulls winning record this year is only 88.2%)

THE WHITE HOUSE
WASHINGTON

April 12, 1996

THE PRESIDENT HAS SEEN
4-14-96

MEMORANDUM FOR THE PRESIDENT
THE VICE PRESIDENT

FROM: JACK QUINN *JQ AH/LSE*
ALEXIS HERMAN
KUMIKI GIBSON *USA*

SUBJECT: AFFIRMATIVE ACTION: STATUS OF WORK

Set forth below is a summary of the status of our affirmative action efforts, which we will discuss with you in greater detail when the you return from your trip.

I. Procurement

The Department has developed a proposal for the reform of affirmative action programs in Federal procurement. Justice's plan is designed to ensure that our Federal procurement programs will comply with strict judicial scrutiny, as required by Adarand Constructors, Inc. v. Peña, while preserving a commitment to enhancing equal opportunity in this area. (Attached is a copy of the proposal.)

A. Scope of Reforms

The Justice proposal affects direct procurement programs designed to assist small firms owned by individuals who are disadvantaged socially (subject to racial or cultural bias) and economically (where bias has led to decreased economic opportunities), commonly referred to as SDBs. The guidelines outlined in the Justice's proposal will apply to SBA's 8(a) program, which is designed to assist the development of businesses owned by individuals who are socially and economically disadvantaged. In addition, since the suspension of the Defense Department's "Rule of Two" set-aside, Justice has been working with Defense on devising appropriate ways to fill the gap left by the suspension of the Rule-of-Two.

B. Summary of the Proposed Process

As the Supreme Court made clear in Adarand, the use of race in Federal procurement programs must be narrowly tailored to meet a compelling government interest. The Justice plan responds to the Adarand requirements while promoting equal opportunities to the maximum allowable extent.

Sub
Betsey Myers

THE PRESIDENT HAS SEEN
4-14-96

LOS ANGELES TIMES / WASHINGTON EDITION

FRIDAY, APRIL 12, 1996 A11

Commentary

'The Eternity Within'—Signed Away by a Pro-Abortion Veto

■ **Abortion:** Clinton cynically used five families' personal tragedies to deflect our revulsion at the partial birth procedure.

By HELEN ALVARE

On Good Friday, President Clinton visited the scene of the Oklahoma City bombing where so many children were killed one year ago. There, he delivered this message: On Easter, he said, Christians the world over would "bear witness to our faith" that the miracles of Jesus and those of the human spirit seen in Oklahoma City, "only reflect the larger miracle of human nature—that there is something eternal within each of us . . . no bomb can blow away, even from the littlest child, that eternity which is within each of us."

Five days later and Easter past, the president vetoed a bill that would have protected the tiniest child from being killed

in the process of delivery by partial birth abortion.

Surrounding himself with five women who had faced tragedy during their pregnancies, and condemning those who would use them as "political pawns," the president proceeded to use them as just that. And fraudulently as well.

The president claimed repeatedly that a partial birth abortion is done only to preserve a woman's life or her future fertility or to end the lives of children so sick that they would likely not live long after being born alive. The president chose to ignore what those who perform partial birth abortions have said again and again: The vast majority of abortions they perform are purely elective. Even those they call "nonelective" would be considered elective by most people. For example, the late Dr. James McMahon called "nonelective" those partial birth abortions that are performed because of the mother's "youth" or because she was "depressed."

We cannot fail to note the disturbing implications of using the aborted children

'Rather than deal with the facts about partial birth abortions, President Clinton chose instead to toe the line drawn by the abortion lobby. . . . We have every right and every reason to condemn the veto that puts our nation one step closer to legalizing infanticide.'

of the five women as political pawns in their own right. The disabilities these children had, the short lives they might have had, were held up only as reasons to perform the most brutal procedure the abortion industry has ever invented. The president chose to mourn these dead children only insofar as it was useful for evoking sympathy.

The president also said over and over again that partial birth abortions are needed to protect a mother's health. The preponderance of medical evidence, supplied by the very people who perform these brutal abortions, says the exact opposite.

So does common sense. It absolutely defies reason to claim that once a child is almost completely delivered vaginally, with only its head remaining inside the mother's body, that it could possibly be essential to her medical health that the child be stabbed and the contents of its head suctioned out. Once delivery is that far along, delivering the child a few more inches does not imperil a woman's health. It does, however, produce a dead child, rather than a live child. Even children with hydrocephalus are able to be safely delivered vaginally after excess fluid is removed from their heads with a needle designed for that purpose. Many live long and happy lives.

Dr. Warren Hern, a late-term abortionist and author of the most widely used abortion textbook, said this about partial birth abortions and their safety for women: "I would

dispute any statement that this is the safest procedure to use." Turning the child into the breech position, he explained, is "potentially dangerous . . . You have to be concerned about causing amniotic fluid embolism or placental abruption if you do that."

Rather than deal with the facts about partial birth abortions, President Clinton chose instead to toe the line drawn by the abortion lobby and to confront the nation with women who had experienced personal tragedies regarding their pregnancies. And in so doing, he dared all of us to judge them. It is not our place to judge them. But, as citizens of the United States, we have every right and every reason to condemn the veto that puts our nation one step closer to legalizing infanticide.

Shame on the president. Congress should vote—overwhelmingly and quickly—to override this inexcusable veto.

Helen Alvare is director of planning and information of the Secretariat for Pro-Life Activities of the National Conference of Catholic Bishops in Washington.

DRAWINGBOARD / ROGERS

ROGERS
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FOX-GAZETTE

TAKE THAT!...
AND THAT!...
AND THAT!...

I'M SURE THAT'S NOT
WHAT THEY HAD IN MIND
WHEN THEY PASSED THE
LINE-ITEM VETO,
STANLEY.

PERSPECTIVE ON ASSISTED SUICIDE

Walk a Mile in My Wheelchair



Quality of life consists of
more than the physical:

humane than continuing to
live in "a childlike state of
helplessness."

Why is their choice considered irrational? Why is a disabled person's suicide choice more readily judged sane?

Back to CP

THE PRESIDENT'S COMMISSION
4/14/96

MAGELLAN

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Takes you quickly and easily to any stored landmark and activates a backtrack or stored route

Up to 17 hours of continuous operation on only 4 AA alkaline batteries

Displays satellite status, route, landmark and setup menus



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THE PRESIDENT HAS SEEN

4-14-96

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

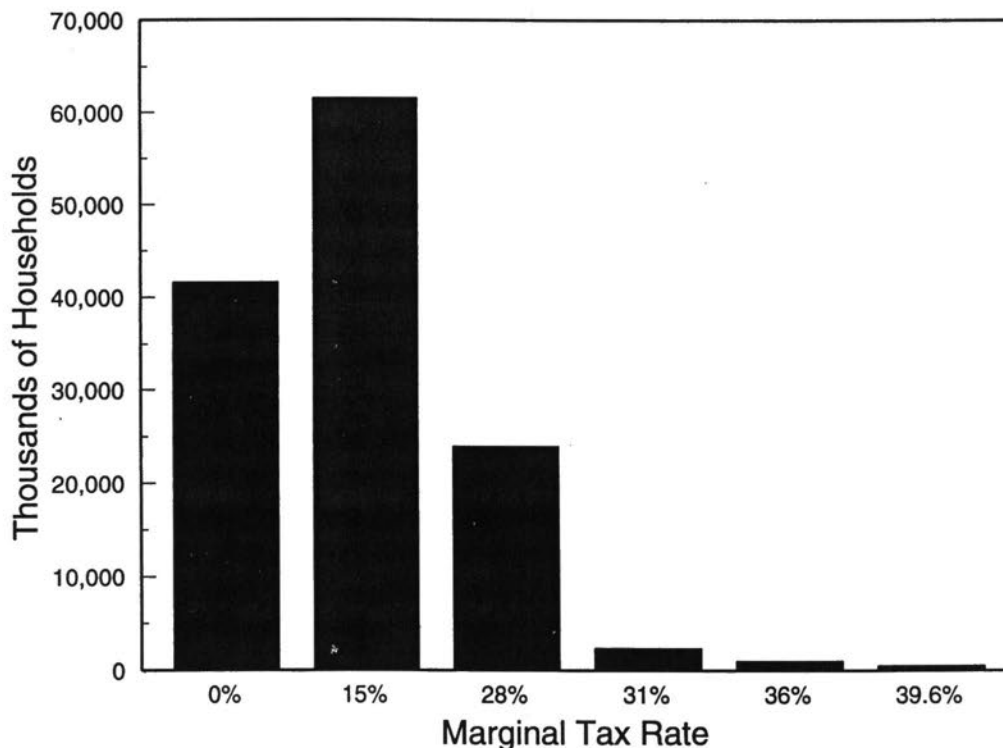
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

April 12, 1996

*Letting
Senators
know*

CHART OF THE WEEK

Households by Federal Income Tax Bracket
(projections for 1995 returns)



* Contrary to conventional wisdom, almost 80 percent of households are facing a marginal tax rate of either zero or 15 percent on their 1995 returns, while less than 3 percent are facing marginal rates of 31 percent or higher. Furthermore, only about half-a-million households are in the top bracket. Amidst all the clamor earlier this year concerning the flat tax, many observers failed to note that the present tax system is essentially a "flat tax" with either a zero or 15 percent rate for the vast majority of households.

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DEPARTMENTS

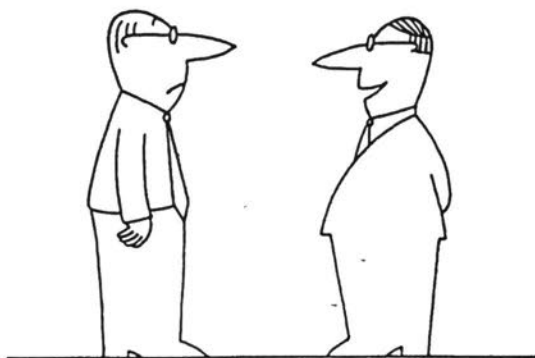
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C. Barroth

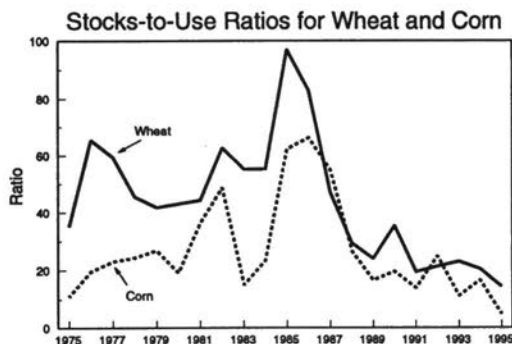
*"Yes, and the fact that you've been an outstanding employee for
twenty-five years is going to look great on your résumé."*

CURRENT DEVELOPMENT

Grain Stocks at Lowest Levels in 20 Years

U.S. and world grain stocks have fallen to their lowest levels since the 1970s (see chart), raising concerns about prices and availability of supply. Three factors account for the decline in stocks. First, last spring's rainy weather reduced yields.

Second, acreage controls begun in the 1980s have limited production. Third, world demand continues to be strong despite rising prices.



Note: Year beginning September 1 for corn, and July 1 for wheat.

Will we run out of grain? U.S. grain supplies in a given year depend on stocks carried over from last year plus production. Stocks represent only about a fifth of total supply, so the decline in stocks should have a more modest impact on total domestic supplies.

Grain will be available from early harvests, although at higher prices. Indeed, the futures price of corn recently reached an all-time high. But higher prices will encourage farmers to plant more acreage this spring.

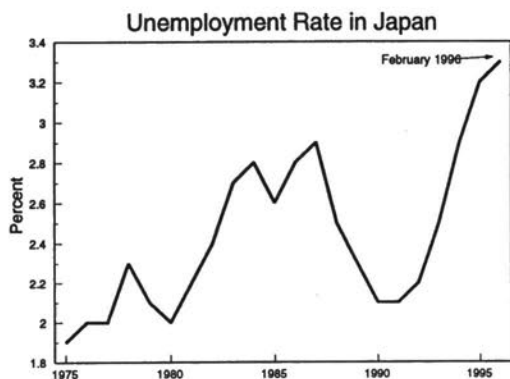
Little effect seen on 1996 inflation. When grain stocks reached similarly low levels in the 1970s, grain price increases contributed to inflationary pressures. Such pressures are less likely today, however, because the cost of grain is a smaller portion of retail food prices. Grains accounted for more than 20 percent of the cost of cereal and bakery products in 1974, compared to 9 percent today. Feed grains account for more of the cost of meat products, but meat supplies reached record highs in 1995 and are expected to rise further in 1996, in part as meat producers respond to higher feed costs by increasing slaughter rates. These ample meat supplies should exert downward pressure on meat prices this year, although smaller herd sizes could create upward price pressures in 1997.

SPECIAL ANALYSIS

Why Has Japan's Unemployment Rate Risen So Little During Its Prolonged Slowdown?

Japan has been mired in a slowdown for the past 4 years, with real GDP growing at less than 0.7 percent per year, and is expected to recover only modestly this year. Despite this prolonged period of negligible growth, the unemployment rate (adjusted to reflect U.S. definitions) has risen surprisingly little, albeit to its highest level for Japan in at least 35 years (see chart).

Analysis. Although Japan's unemployment rate has always been low in international comparisons, its surprisingly small increase during the protracted slowdown has seemed puzzling. Output in Japan has fallen roughly 5 percent



below potential GDP, a drop that in the United States would be associated with a rise in the unemployment rate of about 2.5 percentage points. The unemployment rate in Japan, however, has increased only 1.3 percentage points since the slowdown began in 1991.

In past recessions, Japanese workers left the labor force more readily after losing a job, thereby limiting the rise in measured unemployment. Labor force participation in the current recession, however, has remained relatively constant, and so cannot explain the small response of unemployment.

The reason unemployment has not risen much during the recession is that large Japanese firms have been able to avoid layoffs by cutting employee hours and reassigning workers to affiliated companies:

- Hours worked per person of working age fell 5 percent from 1991 through 1994.
- Nissan, the second-largest auto manufacturer in Japan, transferred over 2,000 employees to avoid layoffs when it closed a plant in March 1995, the first such shutdown of an auto plant during the postwar period.

Employment is also supported by government programs. Firms scaling down activities receive subsidies if they find alternative employment for their displaced workers, either within or outside the firm.

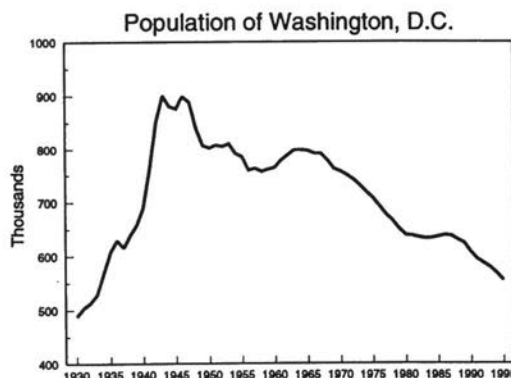
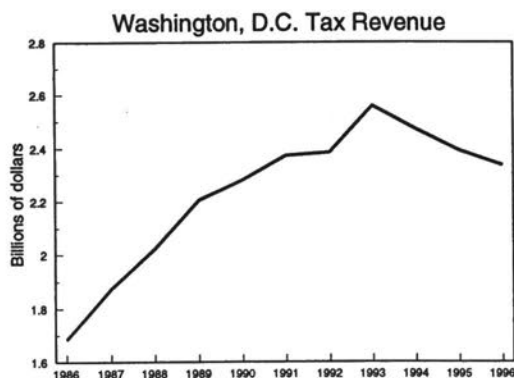
Handwritten note:
Labor force participation was constant during the recession.

SPECIAL ANALYSIS

District Economy Continues to Struggle

Unplowed streets after January's blizzard and pothole-riddled roadways this spring have brought home to many the District of Columbia's plight as it confronts fiscal crisis and an economy in recession. Despite a recent spark of interest in the private redevelopment of downtown, the city faces what might seem to be overwhelming problems of disorganization, crime, and decaying infrastructure.

Analysis. The District's budget moved sharply into deficit during past few years, lowering the city's bond rating below investment grade and spurring the creation last year of a control board to oversee its finances. A decline in tax revenues of over 5 percent since 1994, partly due to an on-going exodus of people from the District, has worsened the fiscal situation (see top chart). About 13,000 people moved out in 1995, leaving the population at a 60-year low of just over half a million (see bottom chart).



The District's economy continues to bear the burden of government downsizing, with cutbacks (both Federal and local) accounting for nearly all of the 15,000 jobs lost over the last 12 months. Job loss accelerated during 1995 to over 2 percent, continuing a downward spiral that had averaged 1 percent per year since 1990 (see Weekly Briefing, November 10, 1995). The unemployment rate, which since 1991 has been among the highest across the states, currently stands at a national high of 8.1 percent. Real earnings growth has been sluggish, with a gain

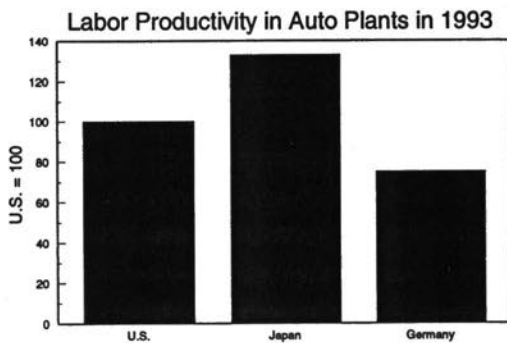
of only 0.4 percent for the first 3 quarters of 1995 (latest data), far below the almost 2 percent seen nationwide.

Investment climate may be improving. The announcement this year of major building projects in the city's downtown section, reportedly the largest total (\$240 million) of private investment in 5 years, has raised hope that the outlook may be improving. Even with some pickup in investment, however, the District is likely to struggle with additional losses of jobs and population for the next several years.

INDUSTRY STUDY

Auto Industry Making Strides, But Still Lags Japan

Auto production in the United States once again exceeds that in Japan, with output of the "big three" U.S. producers (Chrysler, Ford, and GM) supplemented by output of U.S.-based foreign subsidiary production. Nevertheless, a substantial productivity gap between the United States and Japan remains (see chart) and, in fact, has widened since 1987. (The U.S. figures include Japanese transplants which have above average productivity). The U.S. industry must continue to improve if it is to compete successfully in the future.



Note: Computed using purchasing power parity exchange rates with adjustment for quality differences.

Some progress in automotive assembly.

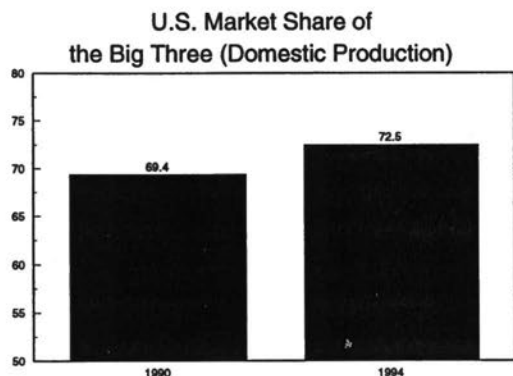
Assembly of autos represents between a quarter and a third of the total value of the product. Beginning in the 1960s, Japanese producers modified substantially their production-line assembly processes and redesigned their cars to use fewer and simpler components that were easier to assemble. By the 1980s labor productivity in the automotive assembly industry in Japan had

overtaken that in U.S. plants on average. Japanese transplants in the United States have successfully transferred their high productivity to U.S. operations. The higher productivity of the Japanese producers during the 1980s seems to have resulted from organization and process innovations rather than differences in their capital investments per worker or in economies of scale.

The big three producers responded to the challenge from Japan by improving their own production processes and redesigning their products for easy assembly. Today, the best of big-three assembly plants rival the Japanese plants. But continuous improvement in Japan combined with heavy investment in automation have allowed the Japanese plants to keep a productivity lead of 15 to 20 percent on average. Catching up to Japan in productivity in this industry is hard because their system is geared to continuous improvement.

Less progress in parts production. The majority of the value-added and employment in the automotive industry is in parts production. These plants are largely owned and operated independently of the major auto producers—exceptions are GM, which is more vertically integrated than other companies, and Japanese producers, who have close ties to their suppliers through keiretsu (interlocking corporate) relationships. Having improved their own productivity, the Japanese automakers were able to assist their suppliers with technology and design improvements during the last several years. Japanese car

makers also have invested heavily in parts production, generating rapid productivity growth. U.S. producers have used market pressures to lower their cost of parts—searching out the best prices they can find world-wide. The U.S. parts industry as a whole has not invested as heavily as the Japanese industry, however, and on average productivity in parts production in U.S. facilities remains well below that in Japan.



Competing in the world-wide industry.

The big three U.S. automakers have stopped the erosion of their U.S. market share (see chart) and made some gains in certain segments of the market, despite the continued productivity gap. The U.S. companies are very competitive in the fast-growing light truck and sport utility vehicle segments of the market. Manufacturing productivity is not the only element of business success; new

product design, distribution and marketing are all important. Chrysler, for example, has lowered its cost of new product development, in part by developing several models from the same platform.

Japan has traditionally kept its auto market relatively closed, but that is gradually changing, in part as a result of Administration trade agreements. The most efficient plants in the United States are exporting to Japan, and U.S.-based Japanese transplants sold almost 85,000 vehicles in Japan in 1995. U.S. nameplates are well-positioned for world-wide competition, but will have to continue to change and improve productivity in order to preserve their competitive position.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Gasoline Prices Reach New Highs, Contributing to Uptick in CPI. The American Automobile Association reported that nominal gasoline prices last weekend were the highest for an Easter weekend in 12 years. Gasoline prices were up almost 4 percent above the previous month, and contributed to the larger-than-expected rise in the consumer price index in March. Aside from a rise in crude oil prices, analysts attribute the recent run-up in gasoline prices largely to low gasoline inventories, which hit a record low for March. Refiners have reacted to uncertainty over whether United Nations sanctions on Iraq will be lifted (see Weekly Economic Briefing, February 16, 1996) by holding tight inventories, and are reluctant to buy more oil in case prices fall. In addition, refiners reportedly shifted capacity to the production of home heating oil in response to the long, cold winter, thereby limiting the buildup of gasoline stocks and helping drive upward the price of gasoline.

Substance Abuse Has Big Costs. A study recently released by researchers at Columbia University estimates that substance abuse cost New York City at least \$20 billion—9 percent of its gross city product—in 1994. The cost of treatment for diseases and injuries caused or exacerbated by tobacco, alcohol and drug abuse was the largest single cost category, estimated at over \$5.1 billion. In addition, the researchers estimate that lost productivity (due to nonemployment, impairment, incarceration, and other factors) cost the city \$4.9 billion. Moreover, the authors estimate that as a direct or indirect result of substance abuse, over 3,000 children slept in shelters each night and 36,000 children were in foster care (77 percent of all children in foster care in New York City) in 1994.

Study Finds State Incentives Associated With Manufacturing Growth. A recent study released by the Federal Reserve Bank of San Francisco finds evidence that state economic development incentives are strongly associated with the creation of manufacturing jobs. The researchers estimate that, on average, an increase in annual expenditure per worker of \$10 (roughly doubling the average across states) by the state development agency is associated with a 1.2 percent increase in manufacturing employment in that state. The researchers estimate that in 1990 Arkansas spent almost \$35 on economic development for each private industry worker in the state, the highest in the nation. Between 1990 and 1993, the rate of increase in manufacturing employment in Arkansas—4.9 percent—was one of the fastest in the nation. By contrast, New Hampshire spent less than \$2 per worker, and its manufacturing employment fell by almost 8 percent. The authors stress that the results do not necessarily imply such incentives are cost-effective uses of public funds, nor do they necessarily show that state incentives are net job creators—states may simply be attracting jobs from outside their borders.

INTERNATIONAL ROUNDUP

South Korea Increases Overseas Science and Technology Efforts. According to press reports, South Korea's use of overseas research centers has intensified in the last 2 years. Both private companies as well as South Korea's government-sponsored labs are building new overseas research institutes. Six government-supported centers were already operating abroad by the end of 1995, five in Russia and one in China. In addition, two labs affiliated with the Ministry of Science and Technology are now establishing their first full branches abroad, as distinct from the existing "joint research centers." At the new government facility in Germany, research will focus on environmental technology. The other branch is being set up at the Rolls Royce plant in England, in order to conduct research in, among other areas, aircraft materials and gas turbines.

Russia's Banks To Receive Extra Liquidity. The Central Bank of Russia (CBR) will give Russian banks some breathing space come May 1, when the minimum level of reserves held against short-term deposits will fall from 20 to 18 percent. The CBR will also scale back the number of accounts subject to such reserve requirements. Another CBR innovation is the recent introduction of a Lombard facility, which allows qualifying commercial banks to borrow against their holdings of government securities at a rate below the official discount rate. Russia's banking system has expanded rapidly since the breakup of the Soviet Union, but not without problems. The number of commercial banks in Russia has increased from almost 1,600 at the end of 1991 to more than 2,500 at the beginning of 1996.

Progress Being Made on Japan's Banking Problems. Japan is making some progress towards resolving its bad loan problem, although uncertainties remain regarding how long it will take for the banking sector to adjust fully. Reform proposals made by the ruling coalition include measures to improve bank inspection and supervision, facilitate the closure of failing institutions, and increase deposit insurance premiums. The legislature will soon vote on these proposals. Despite their huge portfolio of problem loans, amounting to ¥23 trillion, the major banks had record levels of operating profits in 1995 (distinct from total profits, which are down due to loan write-offs) as a result of cuts in the official discount rate, which has increased lending margins for banks. These profits have enabled many of the major banks to increase reserves to levels adequate to cover problem loans on their balance sheets. A few years of good operating profits should allow the major banks to grow out from under their bad-loan burden. However, some major banks must raise significant amounts of new capital in order to bolster their capital ratios, which have fallen to worrisome levels. Raising capital may prove difficult at a time when the Japanese stock market does not appear able to absorb large new equity issues.

RELEASES THIS WEEK

Consumer Price Index

****Embargoed until 8:30 a.m., Friday, April 12, 1996****

The consumer price index increased 0.4 percent in March. Excluding food and energy, consumer prices increased 0.3 percent.

Retail Sales

****Embargoed until 8:30 a.m., Friday, April 12, 1996****

Advance estimates show that retail sales increased 0.1 percent in March following an increase of 1.9 percent in February. Excluding sales in the automotive group, retail sales increased 0.3 percent in March following an increase of 1.1 percent in February.

Producer Price Index

The producer price index for finished goods increased 0.5 percent in March. Excluding food and energy, producer prices increased 0.1 percent.

Productivity

Nonfarm business productivity declined 1.0 percent at an annual rate in the fourth quarter of 1995. Manufacturing productivity increased 2.9 percent.

MAJOR RELEASES NEXT WEEK

Housing Starts (Tuesday)

Industrial Production and Capacity Utilization (Tuesday)

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
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	0.7	3.0	1.7	-1.0
Real compensation per hour:					
Using CPI	0.6	1.3	2.0	2.2	0.4
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	0.4
PPI-Finished goods	5.0	2.2	0.3	-0.2	0.5

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

New or revised data in **boldface**.

CPI data **embargoed until 8:30 a.m., Friday, April 12, 1996.**

FINANCIAL STATISTICS

	1994	1995	Feb. 1996	March 1996	April 11, 1996
Dow-Jones Industrial Average	3794	4494	5519	5612	5487
Interest Rates					
3-month T-bill	4.25	5.49	4.83	4.96	4.95
10-year T-bond	7.09	6.57	5.81	6.27	6.68
Mortgage rate, 30-year fixed	8.35	7.95	7.08	7.62	8.05
Prime rate	7.15	8.83	8.25	8.25	8.25

INTERNATIONAL STATISTICS

Exchange Rates	Current level April 11, 1996	Percent Change from Week ago	Year ago
Deutschemark-Dollar	1.503	+1.5	+7.2
Yen-Dollar	108.5	+1.3	+29.5
Multilateral \$ (Mar. 1973=100)	87.59	+1.2	+6.1

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	1.3 (Q4)	5.6 (Mar)	2.8 (Mar)
Canada	0.6 (Q4)	9.6 (Feb)	1.3 (Feb)
Japan	2.2 (Q4)	3.3 (Feb)	-0.2 (Feb)
France	0.7 (Q4)	12.5 (Jan)	2.0 (Feb)
Germany	0.8 (Q4)	7.0 (Feb)	1.5 (Feb)
Italy	2.4 (Q4)	12.0 (Jan)	5.1 (Feb)
United Kingdom	1.9 (Q4)	8.4 (Feb)	2.7 (Feb)

U.S. CPI data embargoed until 8:30 a.m., Friday, April 12, 1996.



THE CHAIRMAN

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

April 9, 1996

THE PRESIDENT HAS SEEN

4-11-96

96 APR 9 13:27

See notes
P2

MEMORANDUM FOR THE PRESIDENT

FROM:

JOSEPH E. STIGLITZ

SUBJECT:

Comments on Last Week's Weekly Economic Briefing

I respond below to your questions on the Weekly Economic Briefing of March 29, 1996.

Why Has the Saving Rate Fallen?

You asked whether the decline in the saving rate might be due to low interest rates that encourage borrowing and discourage saving. Economists have studied the response of saving to interest rates and generally have concluded that changes in interest rates have little effect on saving. The reason for this is that interest rates directly influence saving through two offsetting channels:

- A decrease in interest rates lowers the return to saving and thus makes saving less attractive, thereby reducing saving.
- A decrease in interest rates means that individuals have to save more to obtain certain targets, such as a desired level of wealth for their retirement.

Real interest rates increased sharply in the early to mid-1980s, yet the saving rate continued its downward decline.

Lower interest rates do encourage more borrowing; but probably equally important is increased access to credit, both through home equity loans and the rapid expansion of credit cards. A strength of U.S. capital markets is that they provide greater access to credit than in most other countries—but this strength may contribute to our dismal saving rate.

Unemployment Insurance

You asked why Virginia had the lowest fraction (18 percent) of unemployed workers receiving benefits in 1995. Possible reasons for this are:

- Virginia requires a relatively high minimum amount of earnings in the period prior to becoming unemployed in order for a worker to qualify for unemployment insurance.

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- Virginia has a relatively low rate of unionization. Because unions often aid workers in the application process, states with lower unionization rates tend to have a smaller fraction of the unemployed applying for benefits.

It should be recognized, however, that Virginia is not an outlier, as Indiana had a coverage rate of 19 percent in 1995. In addition, the relative ranking of the states does fluctuate a bit from year to year. For example, South Dakota had the lowest coverage rate in 1993, while Virginia was second lowest. Still, the fact that there are several states with such low coverage suggests that there may be important gaps in our unemployment insurance system.

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Statistics on Productivity Growth

You asked whether the increase in real compensation per hour reflected a rise in workers' pay (these statistics are presented in the data section of the Weekly Briefing and are shown in Chart 1, attached). Total compensation includes both wages/salaries and other benefits, and is for all employees in the non-farm sector. Much of the data often cited as showing declining pay pertain to wages and salaries alone.

Chart 2 shows the breakdown of total compensation into its two components (using the closest comparable series for which such a breakdown is available). Chart 2 illustrates the relative stagnation of wages and salaries compared to benefits, using the non-farm business deflator ("producer prices") to adjust for inflation. Chart 3 uses the consumer price index to adjust for inflation and shows a decline in wages and salaries since the 1970s. These charts reflect the fact that benefits have risen more rapidly than wages over this period. The decline in real wages is even more pronounced when the average hourly earnings of production and nonsupervisory workers at the lower end of the income ladder are considered.

Economists generally argue that employers focus on total compensation—the total cost of a worker. Compensation has closely tracked productivity over the long run (see attached article from Weekly Briefing, February 2, 1996). If this continues to be the case, and the cost of fringe benefits (especially health care) is contained, then wages and salaries should start to increase at a more rapid pace in the future. Furthermore, the Administration forecasts that the difference in the growth rates of the consumer price index and the nonfarm business deflator will narrow over the next few years, and, if true, consumption wages should rise more rapidly in the future.

Attachments

4-14-96

THE WHITE HOUSE
WASHINGTON

96 APR 12 PM 10:20

April 12, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*

SUBJECT: Summary of Cabinet Weekly Reports
April 5 - April 12

*Cobd Woke**Should consider High profile on this*
DEPARTMENT OF TREASURY

BEA Program: The CDFI Fund is currently in the final stage of reviewing applicants for the Bank Enterprise Award (BEA) Program. An announcement of approved applicants is expected before the end of April.

- **IRS Deductions:** The IRS has published a final regulation that implements the OBRA '93 provisions that (a) deny the tax deductions for club dues and for the travel expenses of a spouse who goes along on a business trip; and (b) allow a deduction of up to 50% of the costs of business meals and entertainment expenses. The final regulations give the employer the option of either absorbing the deduction disallowance, or characterizing the expenses as compensation paid to the employee. The regulation extends the same options to businesses that hire independent contractors.

Libya: Treasury staff continues to work with the NSC on its proposal to possibly "set aside" a portion of the blocked Libyan assets to compensate families of the victims of the 1988 bombing of Pan Am Flight 103 over Lockerbie, Scotland.

- **Proposed Constitutional Amendment Regarding Tax Increases:** On April 15, the House will take up a resolution which would amend the Constitution to require a two-thirds vote in Congress for final adoption of legislation changing the internal revenue laws.

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- **Hearing on Bill That Would Repeal Bilingual Requirements in Voting Rights Act:** The House Judiciary Subcommittee on the Constitution will hold a hearing on April 18 on a bill that would repeal the bilingual provisions of the Voting Rights Act.
- **Newspaper Editors:** On April 17, The Attorney General will address the American Association of Newspaper Editors.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

LA County Update: The Department has completed its review of the State of California's Section 1115 Medicaid Demonstration Project for Los Angeles County. This waiver will stabilize and set in motion long term restructuring of the County's health care delivery system. The Secretary called Governor Wilson, the LA County Supervisors, and key Members of Congress on April 12 to announce waiver approval.

New Head Start Performance Standards: Next week, the Department will publish in the *Federal Register* a Notice of Proposed Rulemaking updating program performance standards for Head Start grantees for the first time since the 1970's.

Demonstration Sites to Be Announced: On April 15, the HCFA expects to announce the names of the 25 managed care organizations selected as candidates for site awards in the Medicare Choices Demonstration. The sites will test a broad range of managed care delivery system options and payment methods for the Medicare program. Final 3-5 year awards will be contingent upon the successful completion of negotiations and plan certification, but some sites could begin enrolling beneficiaries as early as this summer. The Medicare Choices Demonstration is part of HCFA's continuing effort to expand Medicare beneficiaries' choice of health plans and to improve the way plans are paid. Most of the plans are located in market areas that currently have limited enrollment in managed care. HHS is working with the White House on this announcement.

Decline in Drug Abuse Among U.S. Workers: On April 12, HHS released a first-time report examining illicit drug use by U.S. workers. The report, based on a new detailed analysis of the National Household Survey on Drug Abuse, finds that use of illicit drugs has declined by more than half among American workers since the mid 1980's.

Ovarian Cancer: On April 19, an FDA advisory panel will discuss Smith Kline Beecham's Hycamtin injection for the treatment of ovarian cancer after failure of first line treatment.

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(FHA) to help millions of Americans become new homeowners. FHA's outreach effort includes increasing minority counseling efforts to reach more individuals and releasing a 1-800 number to make FHA more accessible to its consumers.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Council on Counter-Narcotics:** The first meeting for the Council is tentatively scheduled for April 30. ONDCP will begin chairing an interagency working group to discuss this meeting.
- **New York City:** On April 15-16, Director McCaffrey will visit New York City where he will visit various drug treatment and law enforcement organizations and programs.
- **Appropriations:** On April 17, The Director will appear before the House Appropriations Subcommittee to discuss ONDCP '97 budget submission. On April 24, he will appear before the Senate Subcommittee.

SMALL BUSINESS ADMINISTRATION

- **Olympics:** Administrator Lader will join Atlanta Committee for the Olympic Games CEO Billy Payne, Ambassador Andrew Young, and other officials in an event recognizing the role of small business in the Olympic Games in Atlanta on April 18.
- **Hearing on Privatizing the Small Business Investment Company (SBIC) Program:** Congressman Torkildsen will chair a hearing in the Government Programs Small Business Subcommittee on April 18 on privatizing the SBIC program. There is little support for this proposal among small business committee members and the Administration would likely oppose it as well.

SOCIAL SECURITY ADMINISTRATION

- **Social Security Advisory Council:** On April 13, the Social Security Advisory Council will meet in Washington, D.C. The Council will discuss their preliminary findings and recommendations and review cost and "moneysworth" data on the three options developed by Council members for addressing the long-range financing issue. It is expected that this will be the last public meeting of the Advisory Council before issuing its report.

DEPARTMENT OF INTERIOR

Seminole Decision: The Department intends to issue in the next few days an advanced notice of proposed rulemaking, seeking comments on its authority under the Indian Gaming Regulatory Act (Act) to authorize casino gaming on Indian reservations

can be used for the purpose of this

4/14/96

when States refuse to negotiate a "compact" with the Tribe as required by the Act. The advanced notice is necessary because the Supreme Court's recent decision in Seminole Tribe of Florida v Florida leaves in doubt the process now to be followed by tribes that cannot secure State cooperation in the compacting process, and Circuit Courts of Appeal have given conflicting suggestions on the manner in which the Secretary should now proceed.

- **Forest Plan Decision:** The Ninth Circuit issued a decision on April 10 that affirmed federal Judge Dwyer's earlier decision upholding your Forest Plan against legal challenges brought by industry and environmentalists. In its opinion, the court unequivocally validated the government's environmental analysis, particularly the application of viability regulations. The most important effect of this decision is that it allows the federal agencies to continue to move ahead with environmentally sound timber sales without being enjoined. Logs will go to the mills while habitat of threatened and endangered species, including salmon habitat, will be conserved. The decision does not directly affect or influence the controversy over implementing the so-called "timber salvage" provisions of the Rescission Act enacted into law in the Spring of 1995. The decision is, however, a strong affirmation of the Forest Plan as crafted by the Administration.
- **Endangered Species Act:** On April 17, Director Beattie of the U.S. Fish and Wildlife Service, will testify before the House Resources Committee on the administration and implementation of the Endangered Species Act. Her testimony will discuss the negative impacts that the moratorium and the budget cuts are having on efforts to implement and administer the Act.
- **Chesapeake & Ohio Canal:** Beginning April 17, Secretary Babbitt will hike from Harper's Ferry, WV, to Georgetown. The Secretary will be highlighting the importance of broad-based partnerships between federal agencies, local communities, and corporate and grass-roots volunteers to maintain open spaces. Secretary Babbitt will complete his 4 day, 60 mile hike along the towpath in the C & O Canal National Historical Park with a rally in Georgetown Waterfront Park.
- **Mining Patent Press Conference:** On April 15, Secretary Babbitt will have a press event to sign a mining patent and focus on the need for mining law reform. The patent forces the DOI to accept \$200 for land in Utah worth an estimated \$100 million. Secretary Babbitt will dramatize the giveaway by displaying 10 mailbags, enough to hold 40,000 tax returns of average Americans -- an amount equal to the \$100 million the Federal Government is giving away.

4/14/96

proposed guidelines -- which are used to assess the cancer risk posed by pollutants -- will replace and improve EPA's current guidelines, last updated in 1986.

- **Superfund:** Negotiations continue in the Senate, with discussion centering around the new draft of Senator Smith's and Senator Chafee's Superfund Reauthorization bill. The Committee has tentatively scheduled a hearing on the revised draft bill on April 23 at which Administrator Browner will testify. The new draft still does not meet the Administration's priorities of faster, fairer, and more efficient clean-up.
- **Appropriations:** On April 16 and 17, Administrator Browner and EPA officials are scheduled to testify at the House Appropriations hearings regarding their FY '97 budget. The Senate hearing is scheduled for May 24.

DEPARTMENT OF EDUCATION

- **OCR On-Site Investigation:** On April 22, the Office for Civil Rights will begin an on-site investigation of Junction City, Arkansas, addressing seven allegations of racial and sexual harassment and discrimination.
- **FAFSA Backlog:** The Department has made significant progress in eliminating the processing backlog of applications for federal student aid, and we expect to have processed all applications received by March 31 in several days.
- **NSBA Speech:** On April 15, the Secretary will address the National School Boards Association in Orlando.

OFFICE OF PERSONNEL AND MANAGEMENT

Investigations Privatization/ESOP: OPM has awarded a contract for investigations services to US Investigations Services, Inc. (USIS), an employee-owned corporation whose employee-owners will be the more than 600 former employees of OPM's Investigations Service. This is the first employee-owned corporation to be formed through the privatization of a government operation. Pursuant to the contract, USIS will perform background and security investigations of current and potential Federal employees for a base period of three years, with two one-year options exercisable by OPM. All Investigations Service employees who are separated from OPM due to this privatization will receive offers of employment from USIS at salary and benefit levels comparable to what they are now receiving. OPM anticipates that most of the Investigations Service workforce will be separated from Federal Service via a reduction-in-force later this year.



4-14-96

April 12, 1996

96 APR 12 P8:58

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY *for*

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

JIM DORSKIND:

Please coordinate
the reply.

PULITZER PRIZE

Should be congratulated
Bob Semple of the New York Times received the Pulitzer Prize for his editorials on the environment. Specifically, he was honored for his series on Yellowstone mine; his several pieces focusing on public lands (i.e., the Republican's anti-environmental grazing, mining and Utah wilderness bills); and his continuous coverage of the overall Republican onslaught on the environment.

This award is significant in its own right but also as a testament to the importance of environmental issues today. This is, I believe, the first time that the Pulitzer committee has recognized environmental writing. Recall also, that this year was the first year that the nobel committee recognized environmental work (ozone depletion). Together these achievements represent a new benchmark in the prominence and importance of environmental work.

POLL IN THE NORTHWEST

I have attached for your review a recent poll taken by The Oregonian which continues to shows strong approval for yourself and Governor John Kitzhaber (D-OR).

ELECTRICITY AND THE ENVIRONMENT

✓ The Federal Energy Regulatory Commission today made public a final environmental impact statement (EIS) on their plans to open electric transmission to competition. Surprisingly, their EIS does not show expect pollution increases in the Northeast (primarily because of increased use of natural gas). Despite that good news, some environmentalists and Northeast Governors will reject their findings and demand Administration intervention to attempt to force FERC to require environmental mitigation. Pollution problems (smog) are an increasing concern, however, even if not attributable to this particular federal action, and our challenge will be to encourage the undisputed economic benefits of open transmission while convincing the states (primarily the Midwest) to step up to some significant new pollution controls -- and support EPA to accomplish this in a way that does not lead to regional warfare. No small task. This promise to be quite tricky and of very high visibility

4/14/96

PACIFIC NORTHWEST FORESTS

We have a bit of good news this week on this front! The Ninth Circuit Court of Appeals upheld the challenges from the timber industry and a few environmental groups, appealing Judge Dwyer's decision upholding your Forest Plan. This is a good and timely reminder that we had an excellent Plan that met all of the environmental laws and moved timber, and that the Rescissions Act timber rider was an unnecessary and indeed extremely damaging intrusion into our management of the forests.

Meanwhile, we continue to work on figuring how best to implement the rider in the least damaging way possible for the Plan.

TONGASS NATIONAL FOREST

Senator Frank Murkowski (R-AK) is chairing a hearing next week to grill the Forest Service on its proposed revision of the land management plan for the Tongass. We expect it to be very rough. Whatever the Forest Service proposes, Senator Murkowski will criticize us for not offering enough timber. Further, the US District judge in Alaska to whom we submitted our proposed settlement in the Tongass timber case just sent everyone back to the negotiating table, with orders to report back to him the day before the hearing. The negotiations are not expected to produce much, if anything, beyond that which is our current proposal. All of this will lead up to a renewed pitch from Senator Ted Stevens (R-AK) about why he needs the Tongass rider that's been attached to Interior appropriations.

As you know, our policies are never likely to be in sync with the Alaska's delegations desire essentially to dictate management of the Tongass and mandate an unsustainable level of timber harvest. We'll be working next week to remind the environmental community that we need their vocal support for our policies, even though they are likely to have their own concerns with the Forest Service's proposal. Governor Tony Knowles (D-AK) continues strongly to support our position on the Tongass.

DREDGING FOR THE PORT OF NEW YORK AND NEW JERSEY

CEQ and DPC this week convened separate meetings with companies and labor unions in the Port of New York and New Jersey, to identify ways we can help to expedite needed dredging in the Port. You may recall that we undertook a similar process two years ago for the Port of Oakland, but the New York-New Jersey situation is both more urgent and more complex. Reduced channel and berth depth is causing port operators to divert ships and cargo to Halifax, Nova Scotia, threatening 180,000 jobs in the region. Dredging has been halted, in part, because of a court decision invalidating EPA's testing procedures for dredge spoils. EPA is working on an expedited rule that will resolve the uncertainty that has stopped issuance of dredging permits.

Many of the decisions needed to solve the problem for the long term, however, depend on decisions by Governors Christine Whitman (R-NJ) and George Pataki (R-NY) concerning disposal of contaminated sediment. But the two governors have avoided making these decisions, and worse yet, Governor Whitman has attacked EPA's proposed as a rollback of ocean protection.

CEQ and DPC will be working with involved agencies EPA, Department of Transportation, the Army Corps of Engineers, White House Political Affairs, and the Democrats of New Jersey congressional delegation to develop a strategy to protect jobs in the Port, pressures the Governors to step up to their responsibilities, and ensure that the environmental issue is not distorted by Governor Whitman.

THE PRESIDENT HAS SEEN

4-14-96

Dean / Rahm
See note
THE WHITE HOUSE

WASHINGTON

April 12, 1996

96 APR 12 P8:17

MEMORANDUM TO THE CHIEF OF STAFF
FROM RAHM EMANUEL *R.E.*
SUBJECT WEEKLY REPORT

good
CRIME/DRUGS: I asked the Department of Housing and Urban Development to produce a list of cities to target for a follow-up announcement to the "One Strike and You're Out" guidelines. Secretary Cisneros and General McCaffrey would visit each of these cities and hold a press conference with the Police Chief, Mayor, and Chair of the Tenants Association on the guidelines and the work they can do in each city. These targeted cities are secondary markets in Ohio, Michigan, and Illinois.

good
I am working on a story with the New York Times on the number of school districts around the country planning to adopt a school uniform policy for the Fall of 1996.

good
I also want to suggest a way in which the President can follow up on his school uniform challenge to school districts. One idea is to have the President walk to school with children who are in their new uniforms on the first day of school this Fall. The President could congratulate the school on its uniform policy and address the parents and children of the community.

May want to work on this
(This event on the first day of school could also be the official launch of the campaign rather than Labor Day.)

good
I am working with the Drug office on using the Miami trip as the site of the President's announcement of his National Drug Strategy. The strategy would also include our counter "Meth" strategy.

agree
As I mentioned last week we must re-schedule the anti-gang event. The networks were and still are ready to do major stories on this subject.

I have ATF preparing a memo on their new juvenile hand gun tracing program. They are awarding 26 cities funds to trace juvenile hand gun use. If the event is strong enough I would like to recommend that the President be involved.

good
I am having Dennis Burke in Domestic Policy draft a letter to Police Commissioner Bratton thanking him for his efforts and asking for his continued support of the President's agenda.

4/14/96

From mid May till June, 12 million seventh graders will graduate from the D.A.R.E program. We are working with Western Union and D.A.R.E to have a telegram written from the President congratulating each graduate to be distributed at the ceremony.

WELFARE: The Los Angeles Times is working on a story that suggests that Governors are no longer anticipating a welfare reform bill and are now pursuing their own individual reforms. The Department of Health and Human Services, Bruce Reed and I are working with the reporter to include our record and accomplishments in their story.

I have done some work with the campaign on the welfare response advertisements.

The House and Senate will be marking up their separate welfare legislation pieces in the coming weeks. The conflict will come over its attachment to Medicaid. The welfare bill in many ways will be something we could support.

Bruce Reed and I have organized a meeting with Health and Human Services staff to develop a state-by-state report on the Administration's welfare reform efforts. This report is intended to help the Administration better argue it's record in the coming months.

IMMIGRATION: We have generated a number of letters from police groups opposing the education amendment. We must be clear that our opposition centers around an anti-crime message and not that these are innocent children.

Hopefully, the police groups can continue to apply pressure on the Senators and define this battle along crime-fighting terms. Our message must now turn to the illegal immigration legislation as a ratification of our three-year field strategy. In short, real illegal immigration deterrence is in the field, not in Congress. The legislative product should not undermine our success.

I think we have done a pretty good job staying out of the stories in Southern California about the beatings. Our strategy has not come under attack or been implicated in creating an environment where the beatings could occur.

This Tuesday, Immigration and Naturalization Services and Jamie Gorelick will announce the completion of "Operation Northeast." Through those efforts we will have picked up over 1000 illegal aliens at the workplace and returned \$10 million in wages to legal workers. This will only reinforce the message that our Administration is doing real work confronting illegal immigration. The message is enforcing our immigration laws in the workplace is job one for the Clinton Administration.

CC: K. Rana
VP
E. Ford
J. Miller
P. G. Ours
discovery

4/14/96

RESEARCH: We held a meeting with Senate Democratic Staff in which we distributed an internally produced notebook on crime, welfare, the economy and immigration. Attached is the beginning of a long term project to not only put our record in perspective, but to provide the Senate with the data, charts and graphs to effectively respond to Republican attacks.

FOREIGN POLICY: Although this is not my area of expertise, I think we face a real possibility that both Yeltsin and Peres will lose their elections. This will be perceived as a real blow to our foreign policy. We need to make sure that our policy is not seen as dependent on any individual, but as consistent regardless of the election outcomes.

✓
Garry

4/14/96

Reed

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[Handwritten mark]

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*CC: Raula
UP
E. Ford
4/14/96
4 min
reg
P. J. O'S
dis*

THE PRESIDENT HAS SEEN

4-14-96

THE WHITE HOUSE

WASHINGTON

96 MAR 20 P 6 : 53

March 20, 1996

INFORMATION

MEMORANDUM TO THE PRESIDENT

FROM: Marcia L. Hale *MAH*

SUBJECT: Governor Zell Miller and Speaker of the House Tom Murphy

Georgia Governor Zell Miller and Speaker of the House Tom Murphy called you last week to express frustration with the Justice Department's appeal of the U.S. Court of Appeals' decision regarding the drawing of Congressional district lines in Georgia. Because you were overseas, Harold spoke to the Governor and I spoke to the Governor and the Speaker. They were both upset with the appeal of this decision and asked to speak with you. I explained to both of them that you were out of the country.

Listed below are their telephone numbers. Neither of them have called back nor do I believe that they expect a return call but I thought you should be aware of their concerns.

Zell Miller	404.651.7715
Tom Murphy	404.656.5020

cc: Harold Ickes

*Do VP or I need
to call Murphy?
BI*

GEORGIA REDISTRICTING CASE: KEY DEVELOPMENTS

1. In 1992, the Georgia legislature adopted a congressional districting plan that included 3 majority-black districts out of 11. This plan was used in the 1992 and 1994 elections.
2. One of the 3 majority-black districts was held unconstitutional by the Supreme Court in June 1995.
3. A second of the 3 majority-black districts was held unconstitutional by the district court, on remand from the Supreme Court, in December 1995.
4. In July 1995, Governor Miller called a special session of the Georgia legislature to deal with congressional redistricting. The legislature couldn't agree on a plan.
5. Because Georgia did not adopt a new congressional plan, the responsibility for congressional redistricting fell to the district court. That court came up with a plan that had only 1 black district out of 11.
6. DOJ appeared before this 3 judge district court on Georgia's side to salvage as much of the original plan as possible. DOJ argued that 2 majority-black districts were required in Georgia by the Voting Rights Act and controlling Supreme Court case law. DOJ submitted a possible plan to the district court that included 2 majority-black districts. DOJ's argument did not prevail.
7. The United States filed a notice of appeal. This is an appeal as of right. This occurred more than two months ago.
8. What happened earlier this month that precipitated the calls from the Georgia officials was that DOJ filed a jurisdictional statement in the Supreme Court. This filing elaborates on the notice of appeal so that the Supreme Court can decide whether to rule on the case summarily or have full briefing and argument. DOJ argued for summary reversal of the 3-judge district court, which would mean that the plan with 2 majority-minority districts would govern the 1996 elections. There is nothing new in the substance of any of the positions taken in last week's filing. What was said is consistent with the arguments made by DOJ in the district court.
9. Georgia officials apparently hoped that the district court's ruling that the plan with 1 majority-black district would govern the 1996 elections was a settled issue. They are troubled by the position of DOJ in the recent filing (which is the position DOJ has consistently taken) that a plan with 2 majority-black districts should govern for this year's elections.

MEMORANDUM TO THE PRESIDENT

From: RBR *Bsh*

Date: April 8, 1996

RE: Inequality

CC: [unclear] [unclear]
THE PRESIDENT HAS SEEN

4-14-96

96 APR 9 AM 11:29

In case you missed coverage of these recent reports:

-- Ms. Karoly (economist with Rand, writing in the current issue of the Oxford Review of Economic Policy) finds that the trend toward inequality appears to have accelerated in the 1990s, at least through 1993 (she did not have access to more recent data). Average (50th percentile) and poor (10th percentile) workers both lost ground during the 1990 recession and didn't gain it back. The average American was 8 percent worse off in 1993 than in 1989 while the poor were 14 percent worse off.

-- Buchinsky and Hunt (writing for the National Bureau of Economic Research) find that upward mobility has declined. In 1980, a worker with only a high school degree had a 17 percent chance of moving up the ladder to a higher quintile of income; in 1990, only 10 percent.

-- There's some reason to believe that these trends have slowed under our watch, however. Recent BLS data suggest, for example, that the long-term declines in both median earnings of male workers and in earnings of production and non-supervisory workers may finally have ceased.

X The trend toward widening inequality is, in my view, the central economic (and social) challenge we face in the waning years of this century. Our microeconomic strategy (education and job training, EITC and higher minimum wage, portable pensions and health care) is correct, but obviously we have been constrained from doing it on a scale likely to reverse the trend. Faster overall growth (from 2.5 to, say, 2.8 percent) would not "trickle-down" enough to narrow the disparities, even if the Fed were to permit.

Your economic message has been wisely balanced between our positive accomplishments (jobs, deficit) and this remaining challenge. But if the public is to understand the challenge sufficiently to lend its support to policies in your second term which are up to the task, you may have to talk about the challenge of inequality with some greater specificity during the next seven months. And you may want to ask all segments of society, including the business community, to help devise solutions. The public's strong and enduring support for a higher minimum wage suggests the deep sense of fair play with which most people approach economic matters -- a value which Dole and other Republicans are far less trusted to honor.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

4-14-96

96 MAR 27 P 8 : 28

March 27, 1996

MEMORANDUM FOR THE PRESIDENT

THROUGH: LAURA TYSON

FROM: GENE SPERLING

SUBJECT: The Senate's Role in Creating the Republican Balanced Budget

Doug Sosnik informed me that you were interested in knowing more about the Senate's role in creating the Republican balanced budget. While there is a perception that the Senate Leadership was always more moderate and was dragged to more extreme positions by the House, this was certainly not the case in several major areas. A preliminary examination of the House and Senate budget resolutions and reconciliation bills revealed several important areas where the Senate had more extreme provisions that were moderated by House Republicans in conference.

This memo summarizes some of the key areas where the Senate had more extreme or equally extreme provisions as the House on the 5 major issues of the Budget debate: Medicare, Medicaid, Education, the Environment, and Taxes. In preparing this summary, we also produced a more detailed side-by-side analysis of the Senate vs. the House on these five issues. Please let us know if you would like us to send you more details.

SECTION I Areas where the Senate was more extreme than the House.

SECTION II Areas where the Senate provisions were just as extreme as the House provisions.

THE PRESIDENT HAS SEEN

4/14/96

alien cases increased by 15%, while employer cases and fraud cases decreased 34% and 17% respectively compared with February 1995.

(J) **"60 Minutes" transcript on CEO salaries.** Via Sec. Reich. Bud Crystal, a former compensation consultant, was interviewed by Lesley Stahl. Sec. Reich calls your attention to Crystal's comment that "the President sort of lost his nerve on this." Crystal says that although you signed a law in 1993 to take away corporations' tax deductions for executive pay over \$1 million per year, privately held companies are exempted, and the top 5 on the proxy statement of public companies are exempted. So Crystal says the law is meaningless.

(J) **"The Anxiety Epidemic," Newsweek, April 8, 1996 by Robert Allen.** Via Harold. Downsizing is a necessary evil, but business needs to do more to ease the pain.

(K) **Guilty: The Collapse of Criminal Justice by Judge Harold Rothwax.** Rahm recommends it to you.

(L) **Rep. Blanche Lambert Lincoln letter about her retirement.** She thanks you for your good wishes on the upcoming births of their twins. She and Steve are looking forward to parenthood. She is grateful for the opportunity to serve in Congress for two terms and has withdrawn her name from the list of candidates on this year's election ballot, but she knows that her public service for Arkansas is not done. She hopes she can always count on your advice and support, and thanks you for your kinds words and great leadership.

We also received the following item:

(K) **Russ Keene note about Rep. Jay Dickey event.** Via Mack. Russ attended an event in Dallas for Dickey as a favor to a friend in the Crow organization. He reports that Dickey said positive things about your character and intelligence. He told a warm story about your mother too. Mack says: "Sometimes effort and personal and professional courtesy go a long way -- and sometimes they don't. In this case it appears our collective efforts helped."

Mack
One of us Movers
Say something to
Jay

Chris Walker

THE WHITE HOUSE

WASHINGTON

April 9, 1996

THE PRESIDENT HAS SEEN

4-14-96

96 APR 9 P5:44

MEMORANDUM FOR THE PRESIDENT

FROM:

SUSAN BROPHY *SB*

SUBJECT:

CONGRESSIONAL CORRESPONDENCE

Attached is a letter from Rep. Blanche Lambert Lincoln (D-AR), that I thought you might like to see.

Chris Walker

~~JIM DORSKIND~~

PLEASE COORDINATE
THE REPLY.

Enclosure

1204 LONGWORTH BUILDING
WASHINGTON, DC 20515
202-225-4076

DISTRICT OFFICE:
615 SOUTH MAIN
SUITE 211
JONESBORO, AR 72401
501-972-4600
800-866-2701

Congress of the United States
House of Representatives
Washington, DC 20515-0401

COMMERCE COMMITTEE
SUBCOMMITTEE ON ENERGY AND POWER
SUBCOMMITTEE ON HEALTH AND ENVIRONMENT
SUBCOMMITTEE ON COMMERCE, TRADE,
AND HAZARDOUS MATERIALS

March 20, 1996

Bill Clinton
The President
The White House
Old Executive Office Building
Washington, DC 20500

Dear Mr. President:

Thank you for your kind note extending your good wishes to Steve and I on the announcement of the upcoming births of our twins. The Lord has truly blessed us, and we are anxiously looking forward to the many wonderful experiences of parenthood.

My mother always said that life is just a series of chapters in a book. I plan to close this chapter with the same enthusiasm and commitment as when it began. Before Steve and I embark on the next chapter in our lives, I want to be sure that my service to the First Congressional District is exemplary.

While I will miss representing the First Congressional District of Arkansas, I am grateful for the opportunity to serve in Congress for two terms. I helped enact a law that conveyed the Corning (AR) Fish Hatchery to the State of Arkansas, and I have been one of the principal advocates in the House of Representatives for welfare reform. I helped negotiate the final terms of the telecommunications reform bill that assures rural areas access to the information highway. And, my efforts on behalf of rural health care reform were recently recognized separately by the National Association of Community Health Centers and the Rural Health Care Association. These and other endeavors have helped make this a most rewarding experience for a young Congresswoman from rural Arkansas and, I hope, for the district I have worked to represent.

While I have withdrawn my name from the list of candidates on this year's election ballot, I am keeping my eye on the future because I know that my public service for Arkansas is not done. I hope I can always count on your advice and support.

Steve and I appreciate your taking the time to share in these happy times with us.

Sincerely,

Blanche L. Lincoln
BLANCHE LAMBERT LINCOLN
Member of Congress

*Thank you
for your
kind words
and great
leadership!*
BLL:sdw

alien cases increased by 15%, while employer cases and fraud cases decreased 34% and 17% respectively compared with February 1995.

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Also see my file
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We also received the following item:

Mack
(M) **Russ Keene note about Rep. Jay Dickey event.** Via Mack. Russ attended an event in Dallas for Dickey as a favor to a friend in the Crow organization. He reports that Dickey said positive things about your character and intelligence. He told a warm story about your mother too. Mack says: "Sometimes effort and personal and professional courtesy go a long way -- and sometimes they don't. In this case it appears our collective efforts helped."

*One of us moved
Say something to
Dad*

one page to Mark McIntyre

Re: Russ Kautz

Mark-

Attended this event last night as a favor
to a friend in The Crow organization.

Dickey said positive things about the
President's character and intelligence.

He told a warm story about the President's
mother, too. Dickey thinks a great deal
of you personally. Fyt Run

MR. AND MRS. NORM SONJU

MR. AND MRS. SIDNEY MONCRIEF

DR. AND MRS. KENNETH COOPER

MR. AND MRS. DOUG ADKINS

INVITE YOU FOR A RECEPTION

WITH

THE HONORABLE JAY DICKEY
REPUBLICAN CONGRESSMAN FROM ARKANSAS

MONDAY, APRIL 1, 1996

5:30 - 7:30 P.M.

COOPER AEROBIC CENTER

GUEST LODGE II

12230 PRESTON ROAD

DALLAS, TEXAS

(ENTER OFF PRESTON, NORTH OF FOREST)

BUSINESS ATTIRE

REPLY CARD ENCLOSED

Mr. President
Sometimes
Effort and personal
and profess. over
courtesy so a loss
Wmr. - and
Sometimes ~~at~~ free
don't. I - this
case it appears
but collective
Efforts helped.

uncol

4/8/96

Mack's note to the President on the attached reads as follows:

Sometimes effort and personal and professional courtesy go a long way -- and sometimes they don't. In this case it appears our collective efforts helped.

Patt

4-14-96

THE WHITE HOUSE

WASHINGTON

April 13, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN ^{4/13/96}
HELEN HOWELL

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

- Handwritten: New York, Chuck (27), 4/15/96*
- (A) **Bob Crandall letter on upcoming meeting with Prime Minister Hashimoto.** Via Betsey Wright. Crandall, President of American Airlines, urges you to push for negotiation of new passenger provisions of the civil air transport agreement. He notes importance of Japan for many U.S. airlines and says American wants to provide additional service between Chicago, Dallas/Fort Worth, New York, and Los Angeles and both Tokyo and Osaka.
- Handwritten: CML*
- (B) **Quinn/Erichsen response on Colorado District Court nomination.** The proposed nominee, Walker Miller, is a Democrat identified by Sen. Brown, supported by Gov. Romer and Pat Schroeder, and favorably evaluated by a bipartisan committee organized by Jim Lyons. The explanation for Brown's large role is that it is part of a larger deal whereby Brown last year agreed to support Carlos Lucero for the 10th Circuit and Wiley Daniel for the District Court in Denver in return for a role in the selection of the nominee for the other District Court vacancy. He felt that he had been unfairly excluded from the judicial selection process by Sen. Campbell.
- Handwritten: Katzen*
- (C) **Katzen follow-up on NHTSA's CAFE standards for 1998 light trucks.** Via Leon. Final rule was issued March 29. DOT appropriations language for FY 96 froze standard at 20.7 miles per gallon -- same as 1996 and 1997. Absent this language, the standard would have been *lower* because Chrysler recently revised its projected capability downward. Had NHTSA tried to set a lower standard, enviros would have been upset since standard is only 0.2 mpg higher than in 1987, and these trucks amount to over 40% of new passenger vehicles. Reaction by manufacturers and Congress so far has not been bad. But Chrysler will have difficulty meeting the 1998 standard, and will thus have to either (i) sell more of its most fuel efficient vehicles; (ii) submit a plan showing it will exceed the standard in future years to balance off 1998; or (iii) pay a fine of \$5 per vehicle for every 0.1 mpg short of the standard. No U.S. firm has ever been fined. GM and Ford are better able to meet the standard, but it may not be easy for them either.

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HAS SEEN

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

4-14-96

rec'd
3:00pm
4/12/96

April 11, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: Jack Quinn and Peter Erichsen *JE*

SUBJECT: Colorado District Court Nomination

As Jack Quinn mentioned to you, the proposed nomination of **Walker Miller** is part of a larger deal among the White House, the Colorado delegation, and Senator Brown. Here are the full details of that understanding.

Senator Brown last year agreed to support Carlos Lucero for the Colorado vacancy on the Tenth Circuit and Wiley Daniel for an earlier vacancy on the District Court in Denver in return for a role in the selection of the nominee for the other District Court vacancy. Senator Brown felt that, after a long history of bipartisan cooperation on judicial selection in Colorado, he had been unfairly excluded from Senator Campbell's new process for identifying District Court candidates.

Senator Brown identified Miller as a Democrat whom he could support for a judgeship. Governor Romer and Representative Schroeder (on behalf of the delegation) both signed off on the choice, and Jim Lyons organized a bipartisan committee of lawyers to evaluate Miller. That committee has just reported back their unanimous conclusion that Miller is qualified.

THE WHITE HOUSE

WASHINGTON

April 5, 1996

MEMORANDUM FOR THE PRESIDENT (via Leon E. Panetta)

FROM: *JE* JACK QUINN, KATHLEEN WALLMAN, BRUCE LINDSEY, MELANNE
VERVEER, PAUL CAREY, KUMIKI GIBSON, ELEANOR ACHESON
AND PETER ERICHSEN *JE*

SUBJECT: DISTRICT COURT NOMINATION

This memorandum seeks your final approval to nominate **Walker Miller** to the U.S. District Court for the District of Colorado. He has completed the review process at the White House, Justice Department, FBI and American Bar Association. We would like to announce the nomination as soon as possible.

Miller, 56, is a partner in the Greeley, Colorado firm of Karowsky, Witwer, Miller & Oldenburg, where he has a general civil litigation practice and specializes in the representation of rural electric cooperatives. Miller has been in private practice in Greeley since 1969, either as a sole practitioner or a partner in a small firm. From 1966 to 1969, Miller was an Assistant Professor at the University of Kansas Law School. He graduated from the University of Colorado Law School in 1963, received an LL.M. from the University of Chicago in 1965 and worked for a year in his father's Greeley law firm before going to Kansas.

Miller has the strong support of Senator Brown, for whom Miller's son currently works. He has been rated "Qualified" by the American Bar Association and has been found qualified by a bipartisan committee of Colorado lawyers that we organized in cooperation with Senator Brown to review Miller's candidacy.

____ APPROVE

____ DISAPPROVE

*Are we
going to
approve?
Can we on this?*

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

4-14-96

April 13, 1996

Tab B
cc: Ickes

4/13/96

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN
PHIL CAPLAN

SUBJECT: Recent Political Information Items

We are forwarding the following recent political information item:

(A) **Ickes memo on weekly DNC budget meeting.** Key points: anticipated April gross revenue is \$11 million, with \$3 million raised to date; Schedule B lists anticipated gross revenues from major donor fundraising January-October; DNC net debt is \$6.17 million; DNC is contributing \$500,000 to DCCC in April and May, half its \$1 million commitment; monthly media expenditures will be \$4.7 million for April, \$5.98 million for May; coordinated campaign will pay out \$2.5 million in May, rather than the originally planned \$5.0 million, with balance shifted to June; *DNC budget assumes no media for June-August -- if this is to change, must discuss ASAP.*

(B) **Poll from 3rd district of Kansas (Kansas City).** Late March poll taken for Democratic candidate Judy Hancock shows you beating Dole 49% to 44%. In response to the statement, "I think Bill Clinton is sincere in trying to bring positive change to our country, even if this sometimes causes controversy," 65% agree, 31% disagree and 3% don't know.

28 March 1996

96 APR 10 P5:34

MEMORANDUM TO THE PRESIDENT
THE VICE PRESIDENT

CC: Leon Panetta
Evelyn Lieberman
Maggie Williams
Ron Klain
Doug Sosnik
Karen Hancox

From: Harold Ickes 

Re: Poll prepared for Hancock for Congress, 21 March
1996 by Media Strategies and Research of
Washington, D.C.

Attached is part of the poll recently taken by Media Strategies and Research of Washington, D.C. for Democratic candidate Hancock for Congress in Kansas' third district. It shows 49% for President Clinton and 44% for Senator Dole with 7% undecided.

PARTISAN ENVIRONMENT IN THE THIRD CONGRESSIONAL DISTRICT

	<u>Districtwide</u>	<u>Hancock Gains from Eilert</u>	<u>Hancock Gains from Snowbarger</u>
I think Bill Clinton is sincere in trying to bring positive change to our country, even if this sometimes causes controversy.			
Agree	65%	83%	71%
Disagree	31%	12%	25%
Don't know	3%	5%	4%
I'm worried the Republican party in this area is becoming too conservative on most issues, and is becoming dominated by religious political extremists.			
Agree	53%	62%	55%
Disagree	40%	27%	36%
Don't know	7%	10%	9%
Vote for President			
Clinton	49%	60%	43%
Dole	44%	33%	45%
Undecided	7%	7%	11%

*Paul Luter for
Hancock for Congress*

3/21/96

*Richard S. Strategies
& Research, Wash DC*

David S. Broder

And They're Off

In the entrails of the latest Washington Post-ABC News poll, completed just as it was becoming a near-certainty that Bob Dole will be Bill Clinton's November opponent, are several important guidelines to the coming contest—and one surprise that suggests early success for an unheralded White House strategy.

The horse race numbers—Clinton 52 percent, Dole 43 percent among registered voters—show a tightening of the battle in the few weeks since South Carolina put the Senate majority leader definitively on the path to nomination.

The battle will take on other dimensions as each side tries to define itself and its opponent in the terms it wishes. For now, however, it is almost purely a referendum on Clinton and his record. Clinton's job ratings—53 percent approval, 45 percent disapproval—are currently the best predictors of people's votes. Those who give him passing marks say they'll vote for him; those who flunk his performance say they won't.

In that sense, Dole and the Republicans appear to be almost irrelevant. Dole is strongly identified with the Republican-controlled Congress, and voters are evenly divided on the question of whether they trust Clinton or the Re-

publicans in Congress to do a better job on the main problems the nation may face in the next few years. Currently there is no advantage to either side from that struggle.

Further clouding the voters' ability to make anything but a retrospective judgment on Clinton is the fact that half of them say they have not much idea of Clinton's future direction and even more say that about Dole.

But closer examination of the survey results shows that the voters have begun to develop and define sharp outlines of the strengths and weaknesses they see in the presidential rivals. Some of these perceptions fit perfectly with the White House game plan—and some do not.

A Clinton campaign aide told me recently that the president will win a comfortable victory in November because "Clinton is young and big-picture, while Dole is old and knows only short-term tactics."

The survey showed that 35 percent of those polled say that Dole, who is 72, is too old to serve effectively as president. Democrats and Clinton supporters were strongest in that view, but one-third of the independents and one-quarter of the 1992 supporters of Ross

Perot, both key groups, disqualified Dole for age reasons.

And when it comes to vision—or big-picture thinking—those polled gave Clinton a seven-point higher rating than Dole. They also rated Clinton better as a source of new ideas and in having an understanding of people's problems and the personality and temperament they want to see in a president.

But, contrary to what the White House strategists would like to believe, the character issue is a hugely tempting target for Dole and the Republicans. By wide margins, Dole is rated superior on personal moral and ethical standards, on being honest and trustworthy and on standing up for his beliefs. Indeed, Clinton is scored negatively on most of those basic character traits.

So one dimension of this campaign will clearly force voters to weigh youth, energy, vision and fresh ideas (Clinton's strengths) against Dole's tenacity and trustworthiness.

On issues, too, the two men represent opposites in the eyes of the voters. Dole has the edge on the economy, deficits, taxes and military issues; Clinton, on Social Security, Medicare, education and the environment.

But there is one surprise—a signif-

icant one. When asked who would do a better job of upholding family values, Clinton has a slight lead. The Republicans thought they had a copyright on the family values franchise—a phrase they have invoked over and over for the past generation.

But beginning with this year's State of the Union Address, White House strategists have tried to steal the GOP's bacon by having Clinton subtly assert claim to a new agenda of value-laden issues. He has become the strongest voice condemning teenage pregnancy, the peddling of cigarettes to youngsters and raunchy and violent entertainment.

Dole thought he had laid claim to the last of these issues with his widely applauded speech in Hollywood last year, challenging TV, movie and recording industry moguls to clean up their act.

But Clinton trumped him with last month's White House meeting, which produced, by subtle pressure, a promise of a rating system for TV programs and industry acceptance of the "V-chip" allowing parents to screen out violent programs.

This battle is not over, but the White House is playing a smarter game on the values front than many realize.

THE WASHINGTON POST
SUNDAY, MARCH 24, 1996

THE PRESIDENT HAS SEEN
4-14-96

THE PRESIDENT HAS SEEN

4-14-96

BLUE-COLLAR BLUES

Cousin
Fyke B.

By Michael Lewis

March 15:

As a rule, you can judge the strength and depth of a political movement by how long it takes you to stumble upon its ringleaders at one of their events. Within about thirty seconds of arriving at a gathering of Detroit auto workers who support Pat Buchanan—Citizens For Better Government, they call themselves—I find myself at a restaurant table with the two men who run the show. They are the only two auto workers who have turned up, at least for the moment. The first one, named Gordon, hands me a flyer headlined “UAW RANK AND FILE BEHIND BUCHANAN” that lists the names of the thirteen auto workers who have “endorsed” Buchanan. The second one, Henry, turns out to be the real leader of this cryptic force. He’s a huge, pale man, maybe 55 years old, who sits across from me and glares as if I’m the enemy, which I slowly become. “How many people are involved in this movement?” I ask him.

“We don’t discuss that,” he says. “It’s national.”

“Well,” I say, “who is the head of it, nationally?”

“We don’t discuss that,” he says.

“What trades do the members belong to?”

“We don’t discuss that.”

At that point I drop my grilled lamb hoagie onto the plate and say, “Well, look, what’s the point of organizing into a political movement if you won’t discuss it?” He blinks for a moment and then says, “We don’t discuss that, either.”

The force of Henry’s view of the world as a conspiracy against him and his fellows is such that I have to close my eyes and remind myself that I’m not interviewing a militiaman. “Does any of your movement favor Ross Perot?” I ask, on a hunch. “The true grassroots people abandoned Ross Perot,” says Henry, angrily emerging from his shell. “It’s the opportunists and the gullibles that stayed with him.”

At length Buchanan arrives and shakes hands with his blue-collar following. He doesn’t give them much of a speech, maybe because there aren’t a whole lot of them to talk to; but he does offer up a version of the passage that he has worked into his routine to appeal to the politically self-conscious working man. It is a curious thing to hear, coming as it does from the mouth of a Reaganite:

Someone **has** got to stand up for the working men and women of **America** who don’t have no representatives at these trade **negotiations** where they decide what industries are going to **live** and what are gonna die. It is wrong to negotiate **trade deals** for the benefit of transnational corporations that **encourage** them to shut down their plants in Toledo and **Youngstown** and to open up a plant in Singapore or China **because** that takes away jobs from American workers and **hollows** out our manufacturing base.

Look, we **won** World War II. You know why? We had great generals like MacArthur and Patton. And admirals like Nimitz. **We** had great soldiers, great American soldiers. But we also **had** this great industrial heartland of America. The productive capacity of this nation. And it is being gutted and hollowed out. We went up to Youngstown, Ohio. We went up **along** that river, the Mahoning Valley. Steel mills. **Factories. Gone. Dead.** Shut down for fifteen years. Take a look. **Take** a look at what we were and what we are. Those are the **dying** husks of what almost appears to be a dying civilization.

About six years ago I found myself seated across the table from Buchanan on “Crossfire.” He attacked me for what he **perceived** to be my ambivalence toward capitalism. But even then you could see that, like all social conservatives, he didn’t know quite which way to jump in the marketplace. The two biggest ambitions of the social conservative are to prevent change and to rein in human desire; the market is uniquely designed to facilitate **change** and to satisfy desire. On the one hand Buchanan couldn’t bear to believe that the economic policies and attitudes promoted by his beloved Ronald Reagan had led to anything **but** good; on the other hand Buchanan was clearly disturbed by the corporate upheaval orchestrated by Wall Street financiers. It was only a **matter** of time before he was forced to choose. Now **he** has.

After the rally, if you could call it that, I drive down the road past the prison to Flint, to the GM truck and bus assembly plant, which is busy shutting down in response to the Ohio strike. Every fifteen minutes or so seemingly gleeful workers come sprinting out the side door, like kids let out of school early, and race to their cars and pickup trucks. I make my way to the UAW local across the street, number 659. Inside the beige brick building I find a man with a rakish pompadour sitting behind a desk, chewing the fat with a buddy on the other side. He insists that under **no** circumstances

will he grant me an interview. I tell him where I've just been and with whom.

"They're not part of the UAW," he says.

"Oh yes they are," I say and show him the flyer listing their names and union affiliation to prove it.

"Not if they support Pat Buchanan, they're not," he says. "Or, if they are, they are mentally deranged. Got to see a psychiatrist." His buddy chuckles and adds, "Maybe their medical will cover it."

I exit by the front door past the sign that says WELCOME TO THE UAW LOCAL and walk around the back to the parking lot. There on the wall of the building is a sign. It reads: THE PARKING OF ANY FOREIGN MADE AUTOS ON LOCAL 659 PROPERTY IS ABSOLUTELY PROHIBITED. VIOLATORS WILL HAVE THEIR AUTOS TOWED AT THEIR OWN PERSONAL EXPENSE—JOINT COUNCIL.

That evening I drive north out of Detroit away from the American working man and toward the upper one half of 1 percent of Americans who are doing better than ever. Just when you think that houses could not possibly grow bigger you reach a gated enclave in Grosse Pointe Farms, between the hunt club and the country club, where the Fords and the Strohs have settled into their gorgeous ruts. The address I have for Morry Taylor—number 260—does not appear to exist, so I pick the biggest pile of bricks I can find and roll up the driveway. But as I leave the car and approach the door a voice from behind pulls me up short.

"Wrong house, Speed!"

I turn to find first a large bronze sculpture of a grizzly bear and, behind that, the chief executive officer of Titan Wheel International. He's standing in a polo shirt on his ample porch with a glass of red wine in one hand and a cigar in the other. "That looks too small to be yours," I say, pointing at the impressive piece of real estate behind him. "Yeah," he shouts, "but I got three of them." And he does. Two big ones on the road and a smaller one at the back of the property, which houses the gym and the racquetball court.

I am here in part because I somehow cannot stay away but also because Morry's business interests have magically intersected with the Buchanan campaign. Every time Pat Buchanan opens a newspaper in the Midwest he finds new evidence to support his theory of American decline. His most recent piece of evidence is not the GM strike—which he is choosing to ignore—but the announcement that McLouth Steel of Detroit is on the brink of bankruptcy. Thirteen-hundred manufacturing jobs are about to go up in smoke, and Buchanan will soon be hammering away at McLouth as an example of what is wrong with America. "I went out and looked into those mighty steel mills," he will say, "and they have vanished. All the way from Willow Run to McLouth Steel." But if you read to the end of the stories about McLouth Steel you see that there is still some small possibility of a future for the company. Morry Taylor is trying to buy it.

His swift exit from politics has only increased

Morry's contempt for politicians and people who write about them. He is quick to explain to me, for instance, why I stand no chance whatsoever of understanding the American worker. "If you want to know what they think," he says, "you have to go spend half a day on the production line. At first they'll only tell you all the good things—they don't tell you their problems. Then you hear what they're gonna spend their money on when they get a raise—how they're really gonna buy them a nice pair a tennis shoes. Or maybe they're gonna take their kids to the country fair. Things that if you had to do them you would think: *I gotta do this boring thing?*"

Why he is after McLouth is unclear. His chief financial backer told him that buying it "took more guts than brains," and his chief strategist has sent him a memo that concludes, "it is not a wise decision to buy McLouth Steel." He takes both as a good sign—if everyone says that it is as bad as all that maybe it's good. At any rate he has just spoken with McLouth's creditors, who have told him that the company, which has been operating under Chapter 11 bankruptcy protection, has just enough cash to keep on making steel. But after he met with the creditors he met with the union, which was not so sanguine.

March 16:

I wake up in the deep goose-down bed in one of the Taylor homes, aware that in the past few weeks I have gone from being Morry Taylor's Boswell to Pat Buchanan's Leni Riefenstahl, and back again. But what can you do when you are faced with a choice between a nominee doing his best to avoid engaging with anyone outside of the Senate and a pair of losers who are busy grappling with the billion-footed beast? The beast is already up and stalking about on the top of the front page of the *Detroit News* and *Free Press*: "MCLOUTH STEEL IS BROKE AND CLOSING," it reads in the sort of big, bold letters normally reserved for acts of war. "It means they gotta move real fast," says Morry, shedding his gaudy bathrobe on his way up the stairs. Then he adds, "I'm a lucky guy."

A few minutes later he's tossed on his Lucky's Grizzly Beer pullover with the head of a snarling grizzly bear on the back, and we're off to the factory at speed. After a quick stop for cigars, we are soon on a stretch of road overlooking an industrial wasteland—belching smokestacks and slumbering rail yards as far as the eye can see. A few miles later, we come upon a lovely stretch of the Detroit River and beside it McLouth Steel. It's a truly awful-looking place. Unlike, say, an investment bank, where a casual visitor would never detect even the most dire financial problems, a bankrupt factory *looks* bankrupt. The windows are busted out of the side of the mill, and the scrap yard is a moonscape of desolation. But the outside, it turns out, is the best of it.

Morry talks his way past the guard house and into the red brick building beside the mill that houses management, when management isn't kicking back in its

fancier building down the road. On the bulletin board beside the beleaguered-looking office is a memo to the workers, imploring them to work harder. "8 HOURS WORK FOR 8 HOURS PAY" it says, only someone has scratched out the second 8 and replaced it with a 4. Morry marches in to conduct a not entirely pleasant interview with the current chief executive—who has false hopes of keeping his job. I take off for the mill.

Immediately upon entering I sense that I have walked into a place where I do not belong and that if I take a wrong step some mobile machine or flying steel beam will correct me. But the moment the workers discover that I came with Morry Taylor ("I'll vote for him if he buys the place," one shouts over the din) I cease to be a nuisance and become an object of intense interest. They find me a hard hat and start asking me what's going to happen to them—next week will be their first without a paycheck. Though it quickly becomes clear that I have no idea, a small group of them, led by a man named Jim, takes me by the hand and shows me what's left of a company that once employed nearly 6,000 workers. Jim, who has worked for McLouth for thirty-seven years, wears a red-and-white skull cap over his Medusa hair, which grows down into an equally unruly beard. He has a hacking cough, and his face is flushed pink with overexposure. From tip to toe he is covered with grime in a way he wasn't ten years back, he says, when McLouth had the money to keep the mill clean. A few months ago he broke his foot, he says, and he waited for a bit to go into the hospital because "I was ashamed by what the nurses would think when they saw me."

The tour starts in the lunch room—a metal cell in the center of the mill which, though perfectly disgusting with grime, is at least quiet. It proceeds to the men's room: a ten-by-twelve cesspool with two inches of mucky water on the floor in which swim rubber gloves, shards of sandwiches, rusty nails and coils of steel. There are no doors on the two stalls, no seats on the two toilets and no handles on the two faucets—a problem solved by running the water constantly. In the plant itself, Jim tells me, if the machinery were not so simple it would never be working. As it is he has spent the better part of the past ten years cannibalizing working machines for parts to keep other machines going. "We're in here scrounging for nuts and bolts," he says, "and they're out there building a new office building for themselves."

The inside of a steel mill—or at any rate this steel mill—looks like an aircraft hangar into which someone has randomly dumped a lot of big, greasy, outdated machinery. In the summer it is hotter than the air outside; in winter, because of the wind tunnel that it creates, it is colder. When the machinery is working—as it was when I entered—it creates enough noise that if you want to be heard by your neighbor you have to shout into his ear. Any luck that befalls the man who works with these machines is bad luck. In his thirty-seven years Jim has seen more than thirty workers killed, and

he starts to list the most common causes of death: crushed by machinery, gassed, electrocuted, burned to death by hydraulic fuel. Still, these are the heavy-industry, good jobs every politician says he wants to create—and that Jim wants to keep.

If ever there was a place where Pat Buchanan's message would be heard, here is it. But how in this context do you drag anyone's thoughts toward politics? With a weary sense of duty I ask a question about Buchanan. And with a weary sense of duty Jim says that "there are probably a couple of guys here who'll go vote for Buchanan, but I don't know who they are." Jim reads *Time* and *Newsweek* and knows something about the election. But he hasn't thought twice about how national politics might relate to his immediate predicament. Why should he?

Later, in Morry's car, I ask him a little stupidly what happens to the workforce once the place shuts down. "They'll sit around," he says. "There will be more divorce. Some kids'll get the hell kicked out of 'em. Some women will get the hell kicked out of 'em. Some of them will get jobs—the skilled guys. But in the next round of layoffs they'll be the first to be let go. It creates a tragedy."

He pauses. "Go ask the Christian Coalition what should be done right now."

March 17:

The South Side Chicago St. Patrick's Day parade is yet another blue-collar event to which I would normally be dragged kicking and screaming. The chance to march beside Pat Buchanan clad in a union jacket proves irresistible, however. Buchanan was initially blocked from participating in the parade, but then the local 150 union of Operating Engineers—the guys behind the wheel of cranes and forklifts—stepped in and invited him to march alongside him. Why they did this depends on whom you ask. The portly plumber who glowers at Pat at the start of the parade says that it was a publicity stunt for Bill Dugan, the union president, who gets to march alongside Pat and be interviewed by journalists. Dugan says it was because Buchanan is "the only guy who has the guts to stand up and talk about our issues." Whatever the case, Buchanan is resplendent in his shamrock-green turtleneck, Jackie Stewart checkered racing cap and black jacket with "PAT" stenciled across the pocket and the union logo. *Labor Omnia Vincit*, it says. As he starts marching down the black asphalt beneath the clover-strewn lampposts it is easy to overlook his pinstriped slacks and black wing-tips.

It is never very dignified trailing around behind one of these people, but today marks a new low for the Buchanan journalists. Six parade volunteers use a thin rope to shepherd the press pool and keep the journalists out in front of, but not too close to, Buchanan. The effect is similar to the running of the bulls in Pamplona. The journalists tease the rope, trying to get as close as possible without being knocked over. The rope, for its part, is unpredictable and forever changing speed. One moment there is something like a station-

any press conference with Buchanan on one side and us on the other; the next the rope is moving full speed ahead and fat cameramen are tumbling to the earth and being trampled by union officials, Pat at their center. But a few minutes into the parade I am ushered onto Pat's side of the rope. There I'm able to observe the process with amused detachment rather than mortal terror, at least until I see the faces in the crowd as Buchanan sees them.

God knows how he does it. Even though no one knew Buchanan would be here until yesterday, all sorts of people came prepared, with insults as well as with cheers. A Brueghel of 200,000 drunken bleacher bums seems to be screaming at us all at once. "Go! Pat! Go!" is in places drowned out by "You! Suck! Meat!" One woman runs alongside the parade and shrieks penetrating moral instruction. ("You should be ashamed of yourself!" "Women have rights, too!") "Looks like we're the story here," Buchanan says about midway through the half-mile march, and we are. The boos are nearly as loud as the cheers, but almost everyone seems to have an opinion. As we pass a final balcony overflowing with drunken 25-year-olds flipping the bird and screaming at the top of their lungs, "Up yours, Pat!" I look over to Buchanan on my left and see that he's laughing and waving to them with an enthusiasm most political candidates reserve for their ardent supporters.

"Are you actually *enjoying* this?" I finally ask him.

"Sure!" he says, with great gusto, "aren't you?"

I shrug.

"What would you rather be doing?" he says. "'Cross-fire'?"

"Fuck you, Buchanan!" someone screams.

"Yo! Hitler!" shouts someone else.

To which Buchanan responds with another hearty laugh and a friendly wave. Only at the end of the parade, where the people are too drunk to take much of an interest in anything, does Buchanan's interest flag. In those rare moments when there is neither an enemy nor a friend in sight he's as lost as a normal person.

Later this evening, after a rally in which he describes the Dole campaign brilliantly as "the bland leading the bland," I bump into Buchanan in the Marriott restaurant. I suddenly remember there was something I was supposed to ask him for Morry. "Titan Wheel has a board seat open, and Morry Taylor tells me it's yours if you want it," I say, the first and probably the last time I will ever be in a position to dole out a seat on a corporate board. It's Pat's chance to play an active role in sorting out McLouth Steel. Buchanan blinks for a moment and then says, "Morry Taylor is a very nice guy. But I'm not a corporate board guy." He has worked himself into such a frenzy that he seems actually to believe this.

March 18:

I go to see Bill Dugan, the union leader who invited Buchanan to march in the parade. Dugan's office is in

a building on a stretch of single-lane highway. He keeps me waiting for ten minutes or so, which gives me a chance to look around. In the lobby there is a toy model of a large crane, the pictures of the six union presidents since the local was founded in 1928 and a letter of complaint sent to Bill Clinton by Frank Hanley, the *capo di tutti capi* of all Operating Engineers. At length Dugan sends his pretty secretary out to fetch me.

Union leaders seem to have a more efficiently self-interested way about them than union members; they are more naturally predators than prey. Dugan's office is decorated wall-to-wall with mounted rifles and the heads of maybe fifteen dead animals: wild boar, wildebeest, antelope, outrageously large heads with outrageously large horns. Off in one corner stands the head of a giraffe that Dugan shot in Botswana, and if you ever wondered how you mount a head of a giraffe here is the answer. You cut it off just above the torso and stand eight feet of neck on the floor. Still, it seems rather unsporting of him, and I ask him if he shot them all. "If I hadn't they wouldn't be on the wall, would they?" he replies curtly. None of the beasts died in America, however. He would never shoot an American animal, Dugan says, planted and glowering from behind his gargantuan wooden desk.

It turns out that Dugan doesn't much care either for liberals or for journalists. Surprise! The coverage of yesterday's event merely confirmed his prejudices. The newspapers stressed the crowd's hostility to Buchanan; Dugan feels that this is merely one more distortion by the liberal press of the one candidate who has the guts to talk about the important issues. He grabs for a handful of telephone message slips, every one from a supporter pleased with the event. "By God, Bill, we're proud of you," is a typical response.

Then I notice the fawn. On the wall beneath the wildebeest, curled up in a ball, is a tiny white-speckled fawn, not much larger than an alley cat. Bambi. Dugan explains that he was driving down the road a few years ago when the car in front of him hit a deer. Both cars stopped, and Dugan negotiated to take the animal and skin it before the meat spoiled. He tossed the carcass in his boat, which happened to be hitched to the back of his truck. When he got home and cut into the animal he found a pair of fawns. The deer was days away from birthing. One of the fawns he stuck in his deep freeze, where it resides to this day. The other he had mounted in this sweet little display.

Consider the career of this animal. There it lay, awaiting its own birth, when its mother chanced to be at the wrong place at the wrong time. Dying before birth, it was then cut unknowingly from the womb, then eviscerated. Its carcass, or what remained of it, was tacked to a slab of wood, which was then affixed to the wall of a man. The fawn went straight from the womb to a wall mount in Bill Dugan's office, where it now lies curled, peaceful and seemingly content—a testament to the undying truth that the more innocent your life, the less you have to say about your fate. •

I.P.O.'s: When Employee-Friendly = Investor-Friendly

Handwritten notes above title:
- same - study took for chances to President part - in case points in missed

By DOREEN HEMLOCK

LOOKING to invest in a company new to the market? Check out its personnel policy.

The way a company treats its employees may be a window on both its chances for long-term survival and its initial stock price, according to a recent study from Cornell University.

The research shows that companies that treat their workers well — offering stock options and profit sharing, providing training, emphasizing employee relations — are more likely than other new companies to still be doing business five years down the road.

The study tracked all the nonfinancial companies that went public in 1988, according to its authors, Theresa H. Welbourne, a professor of entrepreneurship at Cornell, and Alice O. Owens, now a business professor at Vanderbilt University. The 136 enter-

prises spanned the manufacturing and services fields as well as the country's geographic regions.

In 1993 — five years after their market debut — 81, or 60 percent, of the companies survived as independent entities in the same business. And personnel policies were a key reason some endured and others did not, the study said.

"In the long run, employee rewards get you the performance you need in an organization," Professor Welbourne said.

Specifically, companies that practiced profit sharing and similar incentives had 87 percent odds of making it to age five, while the odds for companies with few such incentives fell to 45 percent. For businesses offering both pay incentives and some proof of high regard for their workers, like training, the rate climbed to 92 percent, compared with 34 percent for those companies offering neither.

For some analysts, these results confirm long-held beliefs.

"In my checklist, there's a section on personnel issues," said Mary Farrell, an investment strategist at Paine Webber who specializes in small-capitalization companies. "I've always seen a high correlation between employee incentives and success."

Nevertheless, many investors give little weight to employee relations in judging new offerings, said David Menlow, president of the IPO Financial Network in Springfield, N.J. "It's something glossed over."

That's unfortunate for investors for another reason: shares of worker-friendly companies can be cheaper to buy. On average, their stock carries a lower market-to-book value when the offering is made than do the stocks of other companies.

"The market initially seems to react negatively if you reward employees," Professor Welbourne said. "They may see it as taking money away from investors."

Some analysts, however, wonder whether employee practices are the real reasons behind this and other perceived patterns in

the Cornell study.

"My own intuition tells me that company size is a factor in the survival rate, as is venture-capital support," said Robert Natale, vice president of equity research at Standard & Poor's. It may just be, for example, that companies backed by venture capital happen to offer stock-option plans frequently, making the latter look like the cause rather than a coincidental circumstance.

To try to convince skeptics, Professor Welbourne plans to continue testing her thesis. She will soon look at 700 companies that went public in 1993 and 120 software companies that went public from 1993 through 1995.

If that research again shows links between employee incentives and success, Mr. Menlow said, investors will be pleased. People "are so confused by the sheer quantity of information available," he said, that they will be grateful "if they can latch onto something."

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
4-14-96

Back

Pls get me
Newsweek article
of few weeks ago
on Clinton's favorite
practices

BR

EMBASSY OF THE
UNITED STATES OF AMERICATo D. B. / M. P.
Ry - Bz

Helsinki, March 11, 1996

OFFICE OF THE AMBASSADOR

HE William Clinton
The President
The White House
Washington, DC

THE PRESIDENT HAS SEEN

4-14-96

Dear Bill:

I saw that you visited Sidney Harmon's factory in the San Fernando Valley and cited Sid as a good corporate citizen. I assume that this is part of a strategy to speak to the "economic insecurity" issue highlighted by the recent New York Times series by Lou Uchitelle and co. (Lou visited us in Finland last year and I urged him to tackle this issue), by the Business Week cover story on Economic Anxiety, and, of course, by Buchanan's campaign speeches.

This is a tricky issue for you, but one which I believe can provide great political benefits. It is tricky because the macro numbers on the economy are good, so you don't want to say that the U.S. economy is bad since it logically follows that you screwed up and are to blame. However, you also don't want simply to say that the economy is doing great, but that some people are being left out and that you care about them and feel their pain.

The problem, as I'm sure your pollsters have told you, is that increasingly the people who are anxious and insecure and who are being made to feel so by economic forces are white middle class professionals and lower middle class white collar workers in their 40s who think of themselves as good Americans who played by the rules, worked hard, and are now being screwed. A lot of them are swing voters. Some are attracted by Buchanan's message and (false) analysis of who's to blame for their situation (foreign workers and immigrants). Many are no longer convinced that the deficit (and hence the Federal Government) is to blame.

What these increasingly disaffected Americans need is a story - an explanation of what is happening - and some plausible solutions, even if they don't promise immediate relief.

You can and should offer both.

Visiting a good corporate citizen like Sidney is part of offering a solution. I don't think that you should propose new regulations on business nor tax breaks for corporations a la Reich. These are non-starters and not credible politically. You should make the

-2-

moral case for good corporate behavior by visiting more Harmon-like industries. Remember the Labor-Management Conference that I initiated and which Labor and Commerce held in Chicago in 1993. In preparing for that conference I wrote to the Dean of every business school of America and asked for examples of progressive corporations, and "best practice" humane and productive managements. All of those examples are available for you. Harold or Emerson should find them for your schedulers, so that you can routinely visit them.

Most important, I think that you need to schedule a major speech at a leading business school, the kind of "think" speech that we did so effectively early in the 1992 campaign and which distinguished you from the pack, in which you tackle head on the economic insecurity issue by addressing downsizing, reengineering (see the excellent February 2-9 New York Review essay "The New, Ruthless Economy," by Simon Head), globalization, and computerization. You have to speak frankly about the computer revolution which I believe is the real cause of all the economic turmoil - how it is, in the long run, a good thing, but in the short run it causes dislocation, and economic suffering. You have to explain that the real cause of people's anxieties is swift economic change brought on by computerization not by NAFTA, world trade, etc and offer some steps forward such as putting computers in all the schools.

You should blame the Congress for doing nothing to speak to economic insecurity, and for blocking some of your earlier proposals.

Call the speech, THE HUMAN USE OF HUMAN BEINGS. (This is the title of one of my favorite high school books by MIT scientist Norbert Weiner who understood the cybernetic challenge to society decades ago.)

This speech would recognize economic insecurity as a key issue, discard the false culprits, offer a story line on technological change and the global economy, and spell out both moral/voluntary initiatives - the good corporate citizen/stakeholder model, and highlight Clinton administration's initiatives on computers, education (training vouchers), international labor standards (see Rothstein's post memos), and some public private spending initiatives (my favorite is high speed rail now being undertaken in Florida).

If you decide to give such a "think" speech, beside choosing a good venue - I favor a leading business school in a key state, say Wharton at Penn, - you might want to solicit detailed memos from Richard Rothstein, Barry Bluestone, Lester Thurow, Alan Blinder and a few others. Richie has offered his help via Emerson. Barry, who is advising Dick Gephardt regularly, has been asked to address the Senate Democrats' retreat on the same day that you do. All are willing to help, if asked. They helped in 1992, especially in the primary.

-3-

The economic in security issue is a natural for you. It's what you ran on in 1992. although you let the message disappear in the focus on cutting the deficit. You can reclaim it, reshape it and refocus it and it will serve you as a major theme.

I've been discussing these economic issues with lots of experts in Finland, a country which has widely adopted computer technology, Internet (it's the most Internet connected country in the world), mobile phones, etc. and has a 17% unemployment rate. The economic anxiety here and in the rest of Europe is deep and widespread. I've been addressing some of these issues in my speeches and interviews. I have also been doing a lot of interviews on both domestic and international politics (a few examples enclosed), as well as speeches at the major universities.

Ruth has reviewed Hillary's book for the leading women's magazine in Finland (copy enclosed in mail) and last week she did a number of interviews about International Women's Day.

Casey will be hearing from colleges in a few weeks. No favorites. We'll see where he gets in. He might end up at Amherst with Devin.

Good luck on the Middle East trip.

I hope to get back to the U.S. sometime in May or June and I will stop by the see you. In the meantime, of course, we'd still like you or Hillary to visit Helsinki.

Regards,



Derek

Attachments in mailed version.

PS You might also want to use Tony Blair's upcoming visit to discuss the theme of a "stakeholder" society (read Sid Blumenthal's profile of Blair in The New Yorker) by taking Blair to a "good" corporation, perhaps employee-owned United Airlines or Avis, for example. Obviously, you don't want to seem to be taking sides in the British elections, but you can explore an area of common concern.

To: Albert Gore/OVP
cc:
From: KELMAN_S @ A1@CD@LNGATE
Date: 04/09/96 08:37:00 AM
Subject: Contractor Letter Supporting Administration Procurement Work

Yesterday I received a letter from a shipbuilder in Mississippi commending the Administration's procurement reform efforts. The greater use of commercial specs by DoD has enabled his company, which produces predominantly for the commercial marketplace, to bid 30% lower price than it would have before -- and encouraged the company to bid on government business that it would have been unable to bid on earlier.

I am asking my office to get you a copy of his letter.

Handwritten notes:
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4-14-96
THE PRESIDENT HAS SEEN

While 60 percent of Iowa...

IOWA POLL Please turn to Page 8A

4-9-96

BRANSTAD Please turn to Page 5A

THE PRESIDENT HAS SEEN

4-14-96

DUFFY'S VIEW

Handwritten notes:
Cousin
Fry on
DUFFY
THE DUFFY MONSTER
4-4-96



THE PRESIDENT HAS SEEN

4/14/96

(D)

Rubin note on improved economic mind set in Latin America. After attending last week's annual meeting of the Inter-American Development Bank, Bob reports much positive change in attitude, with discussion focused on methods of attracting investment capital, establishing a healthy macroeconomic environment through fiscal discipline and low inflation, and strengthening the role of the private sector. Your financial support program for Mexico together with Mexico's decisive actions, is viewed as critical to having avoided a protracted regional economic crisis. Rubin will host Latin Finance Ministers in New Orleans next month.

(E)

Gober memo on Vietnam. Herschel led a recent mission to Vietnam on POW/MIA accounting. He believes the Vietnamese are cooperating, but reports that they don't believe the POW/MIA effort should be linked politically to other bilateral issues such as human rights. Herschel also counsels against any reduction in the modest \$3 million in humanitarian aid we provide (through NGOs). Senior also expressed concern that the U.S. is reducing humanitarian assistance to Vietnam. Vietnamese are eager to improve relations and work toward a trade agreement. Herschel says without positive movement by us, Vietnamese political support for U.S. concerns will erode."

Gov. Chiles letter to Dole on Everglades. Via Leon. Letter, sent at our urging, thanks Dole for help in passing Farm Bill with \$200 million for Everglades. Underscores threat to Everglades from rider to the Omnibus FY 96 Appropriations bill which would eliminate EPA's ability to override permits to fill in wetlands, used in 1988 to save 432 acres of the Everglades in 1988: "one cannot be 'anti-wetland' and 'pro-Everglades' at the same time." Urges Dole to get rider dropped.

(G)

Elliot Richardson letter on habeas corpus legislation. He thanks you for your thoughtful response to letter from him and former AGs Civiletti, Katzenbach and Levi. Also for follow-up meeting with Jack Quinn and Walter Dellinger. Basically, he urges you to push for "modest revisions" to the habeas provisions in the anti-terrorism bill and notes that he and his colleagues believe the current problematic provisions in the bill (e.g. on deference) won't survive what is sure to be a lengthy constitutional challenge. Irony will be that these "streamlining" provisions will tie things up more than ever.

(H)

February statistical report from the INS. Via Rahm. A record high number of asylum applications was reported (22,985) representing a 111% increase over February 1995. Compared to February 1995, inspections of citizens and aliens for entry to the U.S. are up 6% to 36.3 million. The Border Patrol made 150,821 apprehensions at the SW border during February, an increase of 28% over February 1995. Applications for immigration benefits in February 1996 decreased 1% (to 313,956) compared to those received in the previous February, and approvals were up 14% while denials rose 13%. New applications for naturalization benefits increased by 12% (to 87,909) compared to the number received in February 1995, and over 59,400 applications were approved, a 52% increase over the same month last year. INS removed 5,002 aliens from the U.S. in February (up 53% over last February), and 2,447 of them were criminal aliens. February successful completions of criminal

THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON

96 MAR 26 P2:11

THE PRESIDENT HAS SEEN

4-14-96

March 25, 1996

MEMORANDUM

TO: The President of the United States

FROM: Hershel Gober, Deputy Secretary of Veterans Affairs 

SUBJECT: Presidential Delegation on POW/MIA Affairs

During the period of March 8-15, 1996 I led the fourth presidential mission to Vietnam on POW/MIA accounting. This delegation confirmed that an effective process of cooperation exists and that it is firmly established on a sound political and institutional base. During this administration we have achieved significant accomplishments in the four criteria established by you to measure the degree of Vietnamese cooperation. The highest levels of the Vietnamese government reaffirmed their commitment to assist fully in our POW/MIA accounting effort. The Vietnamese have intensified their unilateral efforts since the normalization of relations. Significant concrete results will continue to be achieved though our involvement in pursuing the fullest possible accounting will continue for several years.

The Vietnamese view the POW/MIA accounting effort as a humanitarian endeavor that should not be politically linked to other issues affecting our bilateral relationship. Human rights is a particularly sensitive issue for the Vietnamese and any linkage of the POW/MIA issue to Human Rights would not be positive.

Each of the senior officials that I met with privately expressed concern that the United States is reducing humanitarian assistance to Vietnam. I was informed that U.S. humanitarian assistance should be commensurate with the level of assistance and cooperation they provide and that since normalization this form of aid has been reduced. Presently we provide a symbolic \$3 million dollars in humanitarian aid, funneled through non-government organizations, to Vietnam. Humanitarian aid is important to our national image with the people of Vietnam and our ability to sustain cooperation and goodwill. Any reduction will be counter productive to our evolving bi-lateral relationship.

Vietnam may be considered a foreign policy success. It is important that at this point we implement an effective strategy to educate the public that you have delivered on your

THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON

- 2 -

pledge to develop measures to achieve the fullest possible accounting. It is clear that in order to achieve U.S. objectives we must build a relationship with Vietnam that also serves its principal interest. They look for the United States to take stronger steps to improve relations and are eager to begin negotiations leading to a trade agreement. Without positive movement on our behalf it is reasonable to conclude that internal Vietnamese political support for U.S. concerns will erode. Our efforts to complete the normalization process should move forward.

THE PRESIDENT HAS SEEN

4/14/96

THE WHITE HOUSE

WASHINGTON

96 APR 14 AIO: 28

RECOMMENDED TELEPHONE CALL

TO: The President

DATE: April 12, 1996

RECOMMENDED BY: John Hilley JH

PURPOSE: To discuss the House-Senate Conference on antiterrorism legislation.

BACKGROUND:

House and Senate conferees are currently negotiating a conference agreement on the antiterrorism legislation. Many of the House bill's strongest antiterrorism provisions were stripped out during floor consideration when the House adopted an amendment by Congressman Barr (R-GA) which had the strong backing of the NRA. The Senate legislation contains significantly stronger antiterrorist provisions, many of which were originally proposed by the Justice Department. Both bills also contain identical provisions to revise habeas corpus that would require federal courts to show an unprecedented level of deference to state court rulings on constitutional issues. While these habeas provisions are seriously troubling, it is extremely unlikely they will change in conference.

Senator Hatch is both the Chairman of the Senate Judiciary Committee and the chairman of the antiterrorism conference. His desire to craft a conference agreement that will be approved by both the House and the Senate is driven by his longtime quest for habeas corpus revisions -- a quest he believes will be fulfilled if this conference agreement is enacted. Key to enactment, however, is the President's signature on the bill and Senator Hatch is not quite sure whether the President will sign a bill that contains seriously troubling habeas provisions and weak antiterrorism provisions. Moreover, a Presidential veto of a weak terrorism bill is very likely sustainable.

Therefore, to convince Senator Hatch that he must present the President with a strong antiterrorism bill, this telephone call should emphasize the President's desire for legislation that will give law enforcement the tools it needs to prevent both domestic and international terrorism. Specifically, the President has on several occasions (the most recent being the 4/13 radio address) called for a bill that would: 1) provide explicit authority to prevent fundraising in the U.S. by terrorist groups like Hamas; 2) provide authority to quickly

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deport aliens who support terrorist activities; 3) authority for high-tech surveillance (e.g. "roving" wiretaps) and other investigative tools to track terrorists; and 4) require explosive materials to be chemically marked by taggants. For additional specifics, Senator Hatch should be referred to letters to the conferees sent by the Department of Justice, the Department of State, the Department of the Treasury and the Federal Aviation administrator.

Additionally, the President should not indicate whether he will sign or veto the antiterrorism measure, but he should certainly leave the impression that a weak bill would ultimately damage Republicans more than the President. This would be especially true if the White House continued to portray a weak bill as soft on terrorists.

Finally, Republican and Democratic conference staff indicate (as of Friday C.O.B.) that the conference agreement will not contain either a provision on taggants or significant wiretap authority. Senator Hatch supported both of these measures when they were considered as part of the Senate-passed terrorism bill, he should be urged to do so as part of the terrorism conference report.

TOPICS OF DISCUSSION:

1. The need for the strongest possible antiterrorism bill.
2. No decision on veto.
3. A weak terrorism bill is ultimately worse for Republicans.

CONTACT PERSON AND

TELEPHONE NUMBER(S): Senator Hatch's home number is 703-938-9294. He will be home all day Sunday, April 14, except for 11:15 a.m. to 2:45 p.m. when he attends church services.

Ruth Montoya is Senator Hatch's Executive Assistant and designated White House contact person for the Senator. Her home telephone number is 703-644-1224.

DATE OF SUBMISSION: April 13, 1996

ACTION: _____

Attachment 1



THE PRESIDENT HAS SEEN

4-14-96

OFFICE OF THE VICE PRESIDENT
WASHINGTON

MEMORANDUM

DATE: April 2, 1996
TO: Evelyn S. Lieberman
FROM: Ron Klain
RE: G-7 Conference Site in Nashville or Memphis

Handwritten notes:
Leon Hiller - J. P. W. (circled)
Fyl B.

On behalf of the Vice President, I want to strongly recommend either Nashville or Memphis as the site of the next G-7 Conference in the United States, in 1997. Both cities are internationally-known centers of industry, communications, technology, tourism and American culture. We believe that they would be ideal sites for the conference.

Below are more detailed descriptions of the two cities and their qualifications for hosting G-7. Additional information about either city is available through me or through Bill Mason, Director of Correspondence for the Vice President, at 224-2424.

GENERAL NEEDS FOR THE G-7 CONFERENCE

Last year's G-7 conference in Halifax required accommodations for approximately 5,000 people, including 2,000 members of the press with the rest being part of the official delegations. In the United States, this number could be expected to be half again as large--that is, 7,500 to 8,000 people. The main infrastructure need was a massive rewiring of Halifax facilities for the increased telecommunications demands. This would not be necessary in either Nashville or Memphis.

In the last U.S.-hosted G-7 conference, in Houston in 1990, the meetings were held at Rice University. Rice is a school of only approximately 4,500 students. Both Tennessee cities have comparable or larger university settings.

The desire of the President, and of at least some of the other heads of state, has been to return the G-7 conference to a smaller, more informal and more intimate gathering, much like the first few conferences in the 1970s. Canada chose the small city of Halifax for this very reason, and Prime Minister Chretien ensured that the conference was a "simple and populist affair." The very nature and character of both Nashville and Memphis would lend this atmosphere to the 1997 conference.

G-7 Conference Site

page 2

NASHVILLE

Nashville is the capital of Tennessee and the world-famous home of the quintessentially American art form: country music. In addition, it is one of the top transportation, business and tourist centers in the nation.

Facilities: With more than 100 hotels and 25,000 guest rooms (12,500 or so committable for conventions), Nashville is prepared to host meetings of all types and sizes. Excellent and very atmospheric hotels such as the Union Station Hotel, the Hermitage Hotel, or the famous Maxwell House would lend themselves to a more intimate gathering. Historic Vanderbilt University also would be available for a dignified academic setting (like Rice in 1990), and the Tennessee Performing Arts Center has three theaters downtown. The renovated Ryman Auditorium, original home of the Grand Ole Opry, seats 2,500 downtown.

But there also are huge facilities, including the Nashville Convention Center (118,000+ square foot exhibit hall and 25 break-out meeting rooms), which is connected both to the Stouffer Renaissance Nashville Hotel (19 additional break-outs) and the city's new 20,000-seat arena (being completed this year). The Opryland Hotel Convention Center, newly expanded, offers more than 600,000 square feet of meeting and exhibit facilities; 6,000 guest rooms; several ballrooms and a 400-seat restaurant.

Transportation: Nashville International Airport has nearly 400 arrivals/departures daily, serving approximately 90 markets through 16 airlines, and direct flights to Toronto. Both this airport and the nearby Smyrna Airport have the capacity to handle large jets. Three major interstates converge on Nashville from all directions. Seven limousine services are based in the city.

Industrial Sites: Since G-7 fundamentally is an economic conference, a number of nearby industrial sites would lend themselves to quick visits and profile opportunities. These include the Saturn and Nissan automobile manufacturing plants and a long list of appropriate manufacturing, distribution and technology centers.

Attractions: As the center of country music, Nashville's first-class entertainment industry would be available for the G-7 conference. The Grand Ole Opry at the Opryland complex, river cruise dining, a newly-renovated and booming downtown, an unusually high number of live-entertainment venues, and a number of historical and cultural sites such as the Hermitage (home of Andrew Jackson) would make the city an exciting place for the attendees, press and delegates alike. Nashville also has three resort golf courses and 11 public courses.

G-7 Conference Site

page 3

MEMPHIS

Memphis is the largest city in Tennessee and is the primary commercial, transportation and medical center for a large portion of three states. In addition, it is the "birthplace of rock 'n' roll" and the home of the blues--two other "all-American" art forms.

Facilities: Memphis is rapidly becoming one the most sought-after meeting destinations in the U.S., and more than 13,000 hotel rooms are available. Annually hosting the Memphis in May international festival, which features a different foreign country each year, Memphis has refined its ability to play host to dignitaries from around the world. For atmosphere, the historic four-star Peabody Hotel offers both ambience and first-rate facilities, including an exhibition hall (10,200 square feet) and meeting facilities (11,000+ square feet).

For larger events, the Memphis Cook Convention Center in the central business district is convenient to local attractions, shopping, hotels, entertainment and the airport. It offers 150,000 square feet of unobstructed convention and show space with meeting and display facilities as well. The Memphis Pyramid, a 32-story stainless steel landmark, would provide a stunning backdrop to the conference; it includes a 22,500-seat multi-purpose arena.

Transportation: Memphis International Airport is the world's 24th busiest. It is served by five major airlines, five regional carriers, a regional hub for Northwest Airlines, non-stop service to Amsterdam, and more than 500 flights daily. Two major interstate highways and eight state highways lead into Memphis. Public transportation includes a trolley system that connects the convention center to attractions and hotels. Six local companies provide transportation and shuttle services.

Industrial Sites: Federal Express is headquartered in Memphis, making the Memphis airport the busiest cargo airport in the world and a model for efficient, high-volume transport. Agricenter International is the nation's first showcase facility for the latest in agricultural technology and conservation.

Attractions: Beale Street, the home of the blues, and Elvis Presley's home at Graceland are traditional draws for visitors. Of historic significance is the National Civil Rights Museum. The Botanical Gardens with 20 floral gardens and display areas could be a suitable backdrop for profile events. Mud Island is a 52-acre world-class park exploring the cultural, education, historic and recreational elements of the Mississippi River with a 5,00-seat amphitheater. A long list of cultural and historic sites are nearby. Hundreds of restaurants, many featuring Memphis' famous bar-b-cue, are in the area.

THE PRESIDENT HAS BEEN

4.14.96

~~David H. Carroll~~
~~Deputy Director~~
~~Democratic Business Council~~
~~Democratic Party Headquarters~~
Phone: ~~202.863.8008~~
FAX: ~~202.863.8082~~

Carroll

430 South Capitol Street, S.E. Washington, D.C. 20003

DEMOCRATIC ★ NATIONAL ★ COMMITTEE

Willie Remyer
Grand m. to
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Committee -

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Maurice Sykes, deputy superintendent of D.C. schools said

the work, your grades are constantly

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THE PRESIDENT HAS SENT
4/11/96

Chris

Big supporters
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pink program

BC

Douglas L. Becker
President & Co-CEO



SYLVAN
LEARNING
SYSTEMS, INC.

9135 Guilford
Columbia, Maryland 21046

(410) 880-8703
(410) 880-0023 FAX

The Washington Post

WEDNESDAY, MAY 25, 1994

Trying to Catch Up On Their Reading

Tutors Find What Students Miss

By DeNeen L. Brown
Washington Post Staff Writer

Not being able to read when you are in high school means that when the teacher calls on you to read aloud, you know you are going to mess up, and you stumble over small words, and your classmates giggle, and you get angry, and you want to fight.

This is what it means for Jerome Brown, 17, a 10th-grader at Anacostia Senior High School.

Not being able to read when you are in high school means you may have been held back so many times that you are still in the 10th grade while your friends are graduating and going to college, and you know you are going to have to catch up just to get a job.

This is what it means for Ronald Hodge, 17, a student at Anacostia.

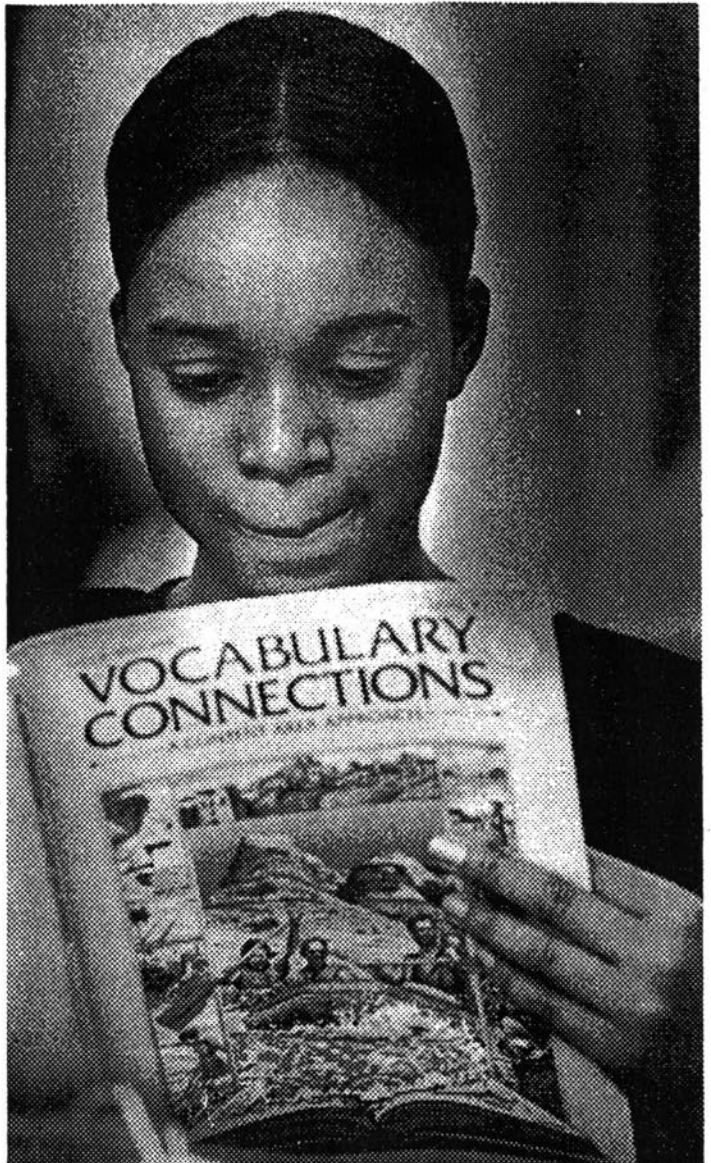
Brown and Hodge are among the hundreds of D.C. students who slipped through the cracks over the years, going to school but never learning how to read competently.

They are among about 600 D.C. students enrolled with a private tutoring firm that the school system hired to help high school students who are reading far below their grade levels.

Superintendent Franklin L. Smith had said that Sylvan Learning Center, which will be paid about \$700,000 for its first year of work for the city, would test students this year and begin tutoring students in the fall. But Sylvan officials say their programs have been running since April at Anacostia, Ballou, Eastern and Coolidge senior high schools and will continue for eight weeks this summer.

The students' progress will not be formally tested until August.

Smith said he hired the 15-year-old company, which has opened learning centers across the country, including in Baltimore schools, because he was concerned that students were graduating from D.C. high schools without knowing how to read well.



BY JUANA ARIAS—THE WASHINGTON POST

Nicole Dewitt studies in the Sylvan reading class at Coolidge High School in Northwest Washington.

"All I'm trying to do is teach people to read," he said.

In the Sylvan Learning Center operation at Coolidge Senior High School in Northwest Washington, students sit quietly, working at tables. Sylvan renovated the room, painting and installing computer worktables and new lights before it began working with students.

At one table, a teacher and a student look for the main idea in a short story about a fox, a bluebird and a duck. At another table, a teacher goes over sounds

Firm Offers Attentive Approach to Help D.C. Students Catch Up on Reading Skills



BY JUANA ARIAS—THE WASHINGTON POST

Inez Turner, left, works with Marcus Mills during a Sylvan reading class at Coolidge High in the District.

with a 10th-grader in a blue and green polo shirt. The teacher holds up flash-cards, and the girl reads, "At cat . . . F, at . . . at fat . . . fat cat . . . cat . . . bat . . ."

Students are selected for the program by English teachers, counselors and principals. Sylvan then tests each student to identify reading problems. Sylvan officials say they do not test for learning disabilities, and students with such disabilities are not referred to the program.

Paula R. Singer, vice president of corporate center operations for Sylvan Learning Systems, said Sylvan, is better able to help students than are regular classroom teachers because of the low student-teacher ratio in its programs.

"Working with a 3 to 1 ratio, you can look in someone's eyes and see whether they got it. It's tough when you have 31 students" in a regular classroom, Singer said. "We can tell why they are scoring the way they are. We can see what is missing. We can prescribe in a surgical fashion what a student needs."

Singer said that just because students are selected for the reading

program does not mean that they are not intelligent. In many cases, such students have gaps in learning because they have changed schools several times or missed a reading lesson and never caught up.

"If youngsters have gaps, the higher and higher they move up, the gaps start catching up to them," Singer said.

Last year, achievement test scores of D.C. students, already below the national norm in most grades, continued to drop, falling sharply among juniors and seniors in reading, language and spelling.

At Anacostia, the median 11th-grade reading score on the Comprehensive Test of Basic Skills was 21; at Coolidge, 34; at Eastern, 37; and at Ballou, 26. The national norm on the standardized test is 50. Only five of the city's 19 high schools had reading scores above the norm among 11th-grade students.

D.C. school spokeswoman Karen Hinton said student illiteracy is a national problem, citing a federal report that shows that one of every four fourth- and eighth-grade students does not meet standards and

that more than 30 percent of 12th-graders fail to meet national education goals.

"We are targeting students so they can go out and get jobs and support themselves once they get out of high school," Hinton said. "This isn't just a D.C. problem."

Many tutors and literacy program officials who work with D.C. students or D.C. graduates say they are surprised by what the D.C. students do not know.

"Kids don't understand what they don't know," said one tutor who did not want to be identified. He said the school system seems to be so concerned with lifting the students' self-esteem that students miss out on many of the basics because teachers don't want to fail students.

Viveca Teuber, executive director of the Washington Literacy Council, said that two of every 10 people who come to the council are graduates of D.C. schools. The council offers tutoring for adults with poor or no reading skills.

One junior high school English teacher, who did not want to be

identified, said it is easy for students who don't know how to read to get passed to the next grade level. Many students who don't read well attach themselves to good students or avoid reading aloud in class.

"Their listening skills are excellent," the teacher said. "Usually, non-readers are the best listeners. This is how they get what they need to do."

The teacher said it is difficult even for English teachers to pick out students who don't know how to read well. "There have been children I did not find out until later in the year that they could not read," the teacher said. "They avoid tests. . . . They don't come that day, or they have to leave the room."

Maurice Sykes, deputy superintendent of D.C. schools, said several factors contribute to students' ending up in high school without adequate reading skills. Some lack verbal skills because they were never read to at home. There is a high mobility rate among D.C. students, some of whom move three or four times a year and miss out on lessons as they switch schools. In addition, students are not routinely tested for competence as they pass to the next grade level, Sykes said.

Sykes said the school system plans to establish "gates," or assessments, at grades 3, 5, 6, 8 and 9.

"There will be no student who will move beyond that gate unless they have shown mastery of skills to move to the next level," he said.

Sykes said the school system also is developing a systemwide reading curriculum that would alleviate the problem of students missing lessons when they change schools in the District.

Decory Williams, a ninth-grader at Coolidge, said he doesn't know what happened in his case. All he knows is he made it all the way to the ninth grade without knowing how to read well, and it frustrates him that he got this far without anybody noticing a problem.

"I think it's ridiculous that I'm 14 years old and I still have to go home and sound out syllables," he said, cupping his hands and clapping with each beat as he sounded "out el-e-ph-ant." "You know the way you learn syllables in grade school? Well as you got older, the syllables got longer. The words got harder."

"You miss out on a lot because other kids are getting the work," he added. "But as other kids are getting the work, your grades are constantly dropping. And your parents are on you because of your grades, and you try to explain it's because the teacher won't slow down, and they say it's because you are not paying attention."

The students who are enrolled in the Sylvan Center at Anacostia High School said they are proud to go there. There is no stigma attached to the program. In fact, they said, their friends want to know how to join them in a learning environment where the teachers pay close attention, give them treats, don't seem irritated when they don't understand and congratulate them for every step of progress they make.

"This program gives you confidence. It's fun to learn like this. If you do good, they give you awards," said Korin Williams, 14, a ninth-grader who said she needed to work on syllables and understanding main ideas from stories. "They give you this little piece of paper, and it says so-and-so did good in this subject. Your parents are so proud of you."

Tarenia Rogers, 15, a 10th-grader, said the program gives her something to look forward to when she goes to school. "It's like a job," she said. "When you come in here and work, you get paid." When students score well or complete assignments, teachers reward them with tokens that can be used to buy products such as beads, basketballs and T-shirts at the Sylvan "store," a display counter that stands in one corner of the classroom.

Ada Sullivan, Sylvan's director of education at Anacostia, said the program had helped some students' self-esteem. Students who walked in with their heads hung low now leave proud of their accomplishments.

Jerome Brown said that because he reads slowly, he used to read only when he had to.

"The only time I read was at school," said Brown, who said he had few books at home. "I try not to read big books because it takes me so long." Because of the reading problem, he said, he misses out on reading books his friends have read, such as "The Autobiography of Malcolm X."

Brown said that before he started the Sylvan program if a teacher asked him to read something aloud, he would tell her to ask someone else. "Some teachers say read it or fail, and I would read it," Brown said.

If his classmates laughed, "I would say something about their mother."

Now, he has no problem reading aloud. He picked up a brochure to illustrate his skill.

He read it without missing a word.

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THE PRESIDENT HAS SEEN

11/11/96

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THE PRESIDENT HAS BEEN

4-14-96

MOREHOUSE

C O L L E G E

Scheduling/ce: Allen

LAWRENCE EDWARD CARTER SR., Ph.D.

Dean of Chapel and Professor of Philosophy and Religion

Martin Luther King Jr. International Chapel

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*President Clinton, you
must speak at Morehouse
College's Commencement
Sunday at 10 a.m.
May 19, 1996*

PLEASE COORDINATE
THE REPLY.

4-14-96

cc: ~~Fin~~ Mr Ape

96 APR 9 PMU. 71

Thanks
I should
sign copies
for all who helped

FROM:

MICHAEL WALDMAN
JONATHAN PRINCE

SUBJECT:

ATTACHED DRAFT FOR SEC. BROWN EULOGY

BC

We spoke to the following people to obtain ideas and anecdotes for the draft:

Michael Brown
Alexis Herman
Vernon Jordan
Mickey Kantor
Mario Cuomo / Andrew Cuomo
Harold Ickes
Bob Reich
Tony Campolo
Carl Wagner
Christine Varney
Mark Steitz
Ginny Terzano
and other members of your staff

① well & do good
 ② for good
 ③ for good

3/22/96

Mr. President,

These are preliminary drafts of budget
offers on the three major entitlements, along
with a table showing a possible deficit
reduction package.

Version A is about 20% away from
our bottom line, while Version B is very
close to our bottom line. Medicare is
the same in both versions ^{(still being refined).} I've included
materials indicating the differences between
Version A and B for Medicaid and Welfare
Reform. Please call if you have questions.

Jim Hilkey

THE PRESIDENT HAS SEEN
4/14/96

Prac / Dec 4

We need a brief summary as I said

- ① Pro-life forces sought to ban a procedure they called 'partial birth' which is rarely used, usually in late term abortions.
- ② They agreed to an exception for mother's life but not health and conceded that other forms of abortion remain legal.
- ③ Problem: The bill covered at least one procedure, the one that S. women had, that the bill's supporters did not describe — and that procedure ~~is~~ is unnecessary in the small ~~number~~ number of tragic cases where the death of the baby is certain shortly before, during, or after childbirth in order to avoid serious physical consequences to the mother, often including the inability to bear further children.
- ④ Since in these cases the babies could not live, this is not about choice — there was no choice of the mother's life or the baby's life.
Remember, not these are pro-life Catholics.
- ⑤ A unified Congress to fix the bill with an exception for "serious adverse health consequences" not the frivolous ones mentioned by the bill's supporters. (Congress could have also accepted the procedure, leaving one avenue open).

We have to conclude that Congress wanted the issue more than the prohibition of a procedure that is ~~clearly~~ unjustifiable in late term selective abortion. ————— (RC)

REMARKS BY THE PRESIDENT
ON HOUSE RESOLUTION 1833

The Roosevelt Room

April 10, 1996

THE PRESIDENT: Good afternoon. I have just met with five courageous women and their families, and I want to thank the Lines, the Stellas, the Watts, the Costellos, and the Ades all for meeting with me. They had to make a potentially life-saving, certainly health-saving, but still tragic decision to have the kind of abortion procedure that would be banned by H.R. 1833.

They represent a small, but extremely vulnerable group of women and families in this country, just a few hundred a year. Believe it or not, they represent different religious faiths, different political parties, different views on the question of abortion. They just have one thing in common: They all desperately wanted their children. They didn't want abortions. They made agonizing decisions only when it became clear that their babies would not survive. Their own lives, their health, and in some cases, their capacity to have children in the future were in danger.

No one can tell the story better than them, and I want to call on one of them. But before I do, I want to say that this country is deeply indebted to them for being willing to speak out and to talk about the real facts, not the emotional arguments that, unfortunately, carried the day on this case.

So I'd like to ask Mary-Dorothy Line to come up here and introduce herself and say whatever she'd like to say about why we're all here today.

MRS. LINE: My name is Mary-Dorothy Line. My husband, Bill, and I are honored to be here today to speak for the many women and families who have also come forward to tell their stories in opposition to this terrible legislation.

Last April we were overjoyed to find out that I was pregnant with our first child. Nineteen weeks into my pregnancy, an ultrasound indicated that there was something wrong with our baby. The doctor diagnosed a condition called hydrocephalus. Every person's head contains fluid to protect and cushion the brain. But if there is too much fluid, the brain cannot develop.

As practicing Catholics, when we have problems and worries, we turn to prayer. As we waited to find out more from the doctors, our whole family prayed together. My husband and I were very scared, but we are strong people and believe that God would not give us a problem if we couldn't handle it. This was our baby. Everything would be fine. We never thought about abortion.

But the diagnosis was as bad as it could be. Our little boy had a very advanced textbook case of hydrocephaly. All the doctors told us there was no hope. We asked about in utero surgery, about shunts to remove the fluid, but there was absolutely nothing we could do. I cannot express the pain we still feel. This was our precious little baby, and he was being taken from us before we even had him.

This was not our choice, for not only was our son going to die, but the complications of the pregnancy put my health in danger, as well. If I carried to term, he might die in utero, and the resulting toxins could cause a hemorrhage and possibly a hysterectomy. The hydrocephaly also meant that a natural labor risked rupturing my cervix and my uterus.

Several specialists recommended that we terminate the pregnancy. I thank God every day that I had this safe medical option available to me, especially now that I am pregnant again and expecting a baby in September.

I pray every day, I really do, that this will never happen to anyone else. But it will. Those of us unfortunate enough to have to live this nightmare need a procedure that will give us hope for the future.

And I thank God for President Clinton; we all do here. The people who promoted this bill do not understand the real issues, but he does. It is about women's health, it's not about abortion, and certainly not choice. These decisions belong to families and their doctors, not the government. President Clinton listened to us and protected families like ours by vetoing legislation that would hurt so many people.

Thank you, Mr. President.

THE PRESIDENT: Thank you.

I'd like to ask Coreen Costello to come up and speak a little bit about her experience.

MRS. COSTELLO: My name is Coreen Costello, as you heard. I found out when I was seven months pregnant that my daughter was dying. She was dying inside my womb. The complications that she had posed severe health risks to me. One of the conditions she had was polyhydramnia, where the amniotic fluid puddles into the uterus.

I had over nine pounds of excess amniotic fluid. My daughter's body was rigid and it was stuck in a position that was as if she was doing a swan dive inside my womb. Her head and -- the back of her feet were touching the back of her head at the top my uterus. There was no way to deliver her.

My husband and I have always been extremely opposed to abortion. We consider ourselves very, very much pro-life, conservative Republicans. For us, terminating this pregnancy was not an option. For three weeks we attempted to turn my daughter so that I could deliver her vaginally and naturally. We had one hope, and that was that we would be able to hold our daughter alive for possibly an hour, maybe two.

Over the three weeks that we carried her we realized that that was not a possibility. She was dying and she would likely not survive any labor and there was no way I could deliver her. We had her baptized in utero. We named her Katherine Grace. We then realized that our only safe option was the procedure that is being outlawed -- is being attempted to be outlawed.

I am so grateful because today I am standing here before you pregnant again with a healthy child. I have two children. I have my health. I don't know how to tell you how important that is. This was such a tragedy, such a personal family tragedy. Our daughter will always be a part of our lives. There will always be someone missing in our family, and that's Katherine Grace. But I am so grateful for the ability to be able to go on and enjoy the two children that I do have, to be with my husband, to be with my family, and to be here today.

And that's what this is about. This is not about choice. We made a very different choice than what we ended up having to have. This is not about abortion, and it's not about choice. It's a medical issue. And I am so grateful for President Clinton and his ability to hear our stories, because we have been telling them for a long time and a lot of people haven't listened. But this is the truth, and this is what happened to us. And as painful as it is, we are all here to share that with you.

Thank you.

THE PRESIDENT: Thank you.

I would also like to thank Jim and their children, and William.

Would you tell them what you told me in the office? Can you do it? This is Tammy Watts.

MRS. WATTS: Hi, my name is Tammy Watts. I live in Tempe, Arizona. I simply told our dear President that my story is not so different from everyone else's. I have the heartache, I have the same tragic story. I have the loss in my heart, as does my husband and the rest of my family and friends.

The fact is this: I would have given my life and traded places with my daughter, Mackenzie. And in fact, with my pastor, that is exactly what I prayed for for the three days we tried desperately to find something that could cure her. You simply look for a magic wand and it's not there.

I am so thankful to our doctors, who were able to perform this very safe medical procedure, save our health, save our families. And I am particularly thankful to our President, without whom we would not be here. And he is a true blessing in all of our lives.

Thank you.

THE PRESIDENT: Thank you, Mitchell -- and those are the prints of your baby, right?

MS. WATTS: Yes, this is my daughter Mackenzie's handprints and footprints. This is something that is very special to us, and is something that we would not have if we did not have this very safe procedure.

THE PRESIDENT: Vikki, do you want to say anything?

MRS. STELLA: My name is Vikki Stella, and I'm from Chicago, Illinois. My story is basically the same thing. We're like a family now. And at 32 weeks I found out that my son wasn't growing properly, and when everything was all done and said and the ultrasounds were in and I had the answer, I found out my son had nine major anomalies, one including no brain. It did not show up on the amnio because it was a closed neural tube defect, so those things don't show up. That's for genetic research.

And I miss my son. But the one part I want to stress is I needed this for health reasons. I'm a diabetic. Other procedures would not have been what I needed. I don't heal as well as other people, so other procedures just were not the answer. I could have gone on and maybe tried to give birth to a child that would not live.

I didn't make the decision for my child to die; God made the decision for my child to die. I had to make the decision to take him off life support.

THE PRESIDENT: Thank you. And you have a baby here.

MRS. STELLA: Yes, I have a little boy here.

THE PRESIDENT: You have a three-month-old little boy here.

MRS. STELLA: Nicholas.

THE PRESIDENT: Claudia, would you like to talk?

MRS. ADES: Much like everyone else -- we've all had similar circumstances -- I was six months pregnant, 26 weeks into my pregnancy and happier than I had ever been in my entire life when, in a routine ultrasound, we found out that there was something terribly wrong with our son. He had fluid in his brain that was keeping his brain from developing. He had a hole in his heart, a hole between the chambers of his heart so that there was no normal blood flow.

He had -- I won't go on with the details, but horrible, horrible anomalies, and he stood no chance of survival. It was something -- it was a chromosomal abnormality, called Trisomy-13. It was actually the same condition that Tammy Watts' baby had.

Again, like everyone else, we begged for a cardiologist or a neurosurgeon or someone that could fix my baby's brain or the hole in his heart. And when we got the news -- I say this for the people that say that we don't care and for the people who say we don't want our children, and for the people that say we have no spirit or no soul or no religion.

My husband and I are Jewish and we got the news on Rosh Hashana. And when we finally had the procedure, the third day of this grueling procedure, it was Yom Kippur, the holiest day of the Jewish year. And Yom Kippur is the day that you mourn those that have passed, and it's the day that you pray that God will inscribe them in the Book of Life.

We'll forever, and for the past four years and forever we will mourn our son. We are very -- since that pregnancy, unfortunately lost five more, but we are very blessed that in July we're going to adopt a baby and we're going to be parents, and we're going to have the child we so desperately wanted.

And we are all here, my husband, myself and all of the other people standing behind me, we are all here as we have been for months, fighting in Congress. I just actually came back with Mary Dorothy from Sacramento, where we were testifying, where it is now in the State of California. And we are all here for the women that follow us, because all women deserve the finest medical care that exists. And we are the blessed ones and we want that for them.

And like everyone else, I just want to thank the President, because it's an enormous, enormous responsibility that he's taken. And we're all here to back him up -- it's so, so important what he's doing.

Thank you.

THE PRESIDENT: Thank you very much.

Thank you. Thank you, Richard. Thank you, Mitchell.

Ladies and gentlemen, I asked these families to come here today to make a point that I think every American needs to understand about this bill. This is not about the pro-choice/pro-life debate. This is not a bill that ever should have been injected into that.

This terrible problem affects a few hundred Americans every year who desperately want their children, are trying to build families, and are trying to strengthen their families. And they should not become pawns in a larger debate, even though it is a serious and legitimate debate of profound significance.

I hope that we can continue to reduce the number of abortions in America. When I was governor I signed a bill to restrict late-term abortions, consistent with the Supreme Court decision of Roe v. Wade, to cases where the life or health of the mother is at risk. When I asked the supporters of the bill here to try to take account of this, they said, well, if we have a health exception you know you could -- the doctor and the mother could say anything -- they can't fit in their prom dress, that's a health exception -- some terrible things like that.

And I said, no, no, no, I will accept language that says serious, adverse health consequences to the mother. Those three words. Everyone in the world will know what we're talking about. We're talking about these families. I implored them. I said, if you want to pass something on this procedure, let's make an exception for life and serious adverse health consequences so that we don't put these women in a position and these families in a position where they will lose all possibility of future child-bearing, although the doctor can't say that they might die, where they could clearly be substantially injured forever.

And my pleas fell on deaf ears. The emotional power of the description of the procedure -- which I might add did not cover the procedure these women had and did not cover all the procedures banned by the law -- but the emotional power was so great that my plea just to take a decent account of these hundreds of families every year that are in this position fell on deaf ears. And, therefore, I had no choice but to veto the bill. I vetoed it just a few minutes ago before I met with these families.

I will say again, if the Congress really wants to act out of a sincere concern that some of these things are done, which are wrong, in casual ways, then if they will meet my standards to protect these families, they could pass a bill that I would sign tomorrow. But these people have no business being made into political pawns.

As I said, and as they said, they never had a choice. This affects staunchly pro-life families as well as people that are pro-choice. They never had a choice. And I cannot in good conscience see their lives damaged and their potential to build good, strong families damaged.

We need more families in America like these folks. We need more parents in America like these folks. They are what America needs more of. And just because they happen to be in a tiny minority to bear a unique burden that God imposes on just a few people every year, we can't forget our obligation to protect their lives, their children, and their families' future.

That is what this veto is all about. And let me say again how profoundly grateful I am to them for coming here today and having the courage to tell their stories to the American people.

Thank you. Thank you all very much.

THE WHITE HOUSE
WASHINGTON

4/8/96

Mr President :

THE PRESIDENT HAS SEEN

4-14-96

I interesting article, if
you have seen it.

96 APR 9

AD

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Laura / Gens

pretty good

BC

THE ANXIETY EPIDEMIC

Downsizing is a necessary evil. But business needs to do more to ease the pain.

BY ROBERT E. ALLEN

NEW CASTLE, IND., IS A MANUFACTURING TOWN—a small city by Midwestern standards—on the banks of the Big Blue River, surrounded by the farms of Henry County. It's also my hometown, and the place where I learned about the balance between business, employees and the community. New Castle was and still is a Chrysler town. Paychecks earned at the big Chrysler plant were the economic current that powered the community. They paid much of the taxes that built New Castle Chrysler High School. They allowed families to shop in local businesses like the children's clothing store my dad ran on the town square. You didn't need an M.B.A. to understand this relationship—or the notion of corporate responsibility that went with it. You could see it all reflected in my dad's store, and in the Dodge family car we owned.

When Chrysler had a bad year there were layoffs. Kids wore hand-me-downs and the store was quiet. Conversely, when Chrysler came out with a hot new model, autoworkers went back to the plant. Chrysler would pay overtime to meet the demand and people came back into the store. Then as now, the lesson was clear: a competitive company can serve the interests of its employees and society; a noncompetitive company can't. But staying competitive today is harder than it used to be. The big difference is the breadth, intensity and speed of the competition. It has meant lower prices and more choice for customers, but it has also brought fundamental changes to the way the world does business.

No industry has been more transformed by these changes than AT&T's. Technology has wiped out the distinction between communications, entertainment and information services. The Telecommunications Reform Act just passed by Congress opens the floodgates for new competition. The regional Bell companies, AT&T and its long-distance rivals, cable-TV companies, and software firms will be going head to head in this redefined market.

As the CEO of AT&T, it's my responsibility to make all these changes work for everybody connected with AT&T—our employees, our customers, our communities and our investors. I couldn't do that by fine-tuning the familiar. For example, the largest customers of our equipment business are local telephone companies who are about to become the biggest competitors of our services business. How likely are they to buy their core technology from a competitor? We had to reinvent AT&T.

We're creating three new companies—each focused on a different part of the huge and growing communications and information market. Each will be in a stronger position to serve its customers. None will need the central staffs that were required to coordinate work in one big AT&T. Each will face tough and hungry competitors. Each must be trim and fast. These new companies don't have

room for all of yesterday's jobs; they will create the jobs of tomorrow.

For the present, downsizing is inevitable. But that didn't make the decision any less gut-wrenching for me. Nothing in my career has been tougher. I've taken criticism because I decided to reduce jobs at a time when AT&T is financially healthy and a market leader. But the time to act is when you're strong. Delaying would jeopardize the jobs of all AT&T people. I'm determined AT&T won't become the Pan Am of the communications industry, no matter what the pace of change.

But competitive markets create jobs much faster than heavily regulated monopoly markets. Competition in the U.S. communications market has created 100,000 new jobs in just the last two years. That trend will accelerate. When U.S. automakers battled back to be competitive with the Japanese, job growth was a welcome side effect. Chrysler alone added 15,000 production jobs in the last five years.

Trouble is, the benefits of competitiveness are often long term. And people don't live in the long term. They live in the here and now, where mortgages have to be met and tuition paid. And too many people are living with economic anxiety. After almost 39 years with AT&T, it saddens me that



our company has become a symbol of this anxiety. I firmly believe business has a responsibility to help people cope with the personal impact of competitive change; I certainly don't have all the answers, but I think three key areas hold promise.

Lifelong Learning: I'm convinced this is far and away the best way to help people take advantage of the new jobs being created. It has to begin with our public schools, making sure they graduate young people with competitive skills. Then business has to invest in people so they can update skills throughout their working lives. At AT&T, we spend \$1 billion a year on employee education. Nobody can guarantee lifetime employment, but updating skills can guarantee lifetime employability.

Industrywide Job Banks: Through AT&T Resource Centers around the country, we have developed more than 100,000 outside job leads for our people affected by downsizing. We ran newspaper ads trying to find jobs in other companies for workers leaving AT&T. Cynics called it a publicity stunt. But it generated more than 4,000 additional job leads for our people.

Bridging the Gap: When people have to leave AT&T, I can look them in the eye knowing that they're getting a good financial severance package plus a year's free health-insurance coverage for themselves and their families. We also provide departing managers up to \$10,000 for relocation and retraining. But this is not a total solution.

The time has come to seriously explore ways to make the transition from one employer to another more seamless. I've talked to hundreds of people affected by downsizing, and one of their biggest fears is losing benefits. We need to find a way for people who lose a job to keep the benefits they've built up.

We can't turn back the clock to the relative predictability of business when I was growing up in New Castle. I, for one, wouldn't want that. But corporations can see that more people are prepared to share the benefits of the changes shaping our future.

ALLEN is the chairman and chief executive officer of AT&T.

THE PRESIDENT HAS SEEN
4-14-96

PG

Tax Reformers, Take Your Mark

While Individuals Pay for Mistakes, Corporate Follies Earn Deductions

By REED ABELSON

YOU put off shoveling your walk, and a neighbor slips on the ice. He sues, he wins. If insurance doesn't help, can you take a tax deduction? Forget it.

Now if you were a corporation, it would be a different story. Not only would you have a tidy write-off, but you might also be able to offset some past earnings and get a check from Uncle Sam.

Consider these not-at-all-hypothetical situations:

A big Wall Street firm agrees to a costly settlement with the Securities and Exchange Commission. An oil tanker runs aground, wreaking environmental havoc. And after pumping millions into an ill-conceived product, a company abandons it.

Yes, in all of these cases, the United States Government is willing to cushion some of the blows with a hefty tax deduction. It's a silver lining denied to most other taxpayers, who are typically individuals with much less power.

But no matter how disastrous a company's actions prove or how badly a business blunders, a third of the costs of cleaning up the resulting mess will frequently be picked up by Uncle Sam.

Despite the heated oratory about the need to balance the Federal budget, and the scramble to unearth additional revenues, not a whisper is heard about making companies pay more for their mistakes, intentional or not. The only time politicians question these deductions is when a particularly glaring example is fresh in voters' minds. As soon as the hue and cry dies down, the talk quickly evaporates.

Even Steve Forbes, who is running for President mainly on the issue of tax reform, has overlooked this possible revenue raiser. Though his far-reaching flat-tax proposal would eliminate endless deductions for individuals, it would leave these business expenses untouched. Mr. Forbes's campaign office did not return calls seeking comment.

Companies walk away with more than a one-time tax break. Under the existing rules, the losses created by the payment of a huge civil judgment or fat legal settlement can be applied to a company's profits from previous years. As much as a decade's worth of tax bills can be nearly wiped away. A company may even be due a substantial refund from the Internal Revenue Service.

In other words, a company that had been hurtling along making money and paying taxes, and then suffered a loss through its own actions, might then be eligible for a refund on past taxes paid if the loss is large enough. An individual in the same fix would not stand a chance.

When corporate losses get large enough, companies can even do an end run around the dreaded alternative minimum tax, said Robert S. McIntyre, director of Citizens for Tax Justice, a Washington research group that receives much of its backing from organized labor. The alternative tax, created as part of the Tax Reform Act of 1986 to make sure companies and upper-income individuals do not avoid taxes altogether, has less bite when a company retroactively applies big losses to previous years' income. By sanctioning the use of such "loss carry backs,"

Continued on Page 12



The Drink That Pepsi Loves

When Coca-Cola spent tens of millions of dollars on its misconceived tampering with an American icon, this was a routine business expense. So, naturally, Washington chipped in with a tax break.

Thin Mac,
And when
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The Follies of Companies Can Earn Tax Deductions

Continued from Page 1

the tax code allows companies to pay much less than what they would owe under the alternative minimum tax.

This is one reason why despite their image as deep pockets, corporate income taxes in recent years have accounted for just 10 to 12 percent of Federal revenues.

For individuals, if a burglar breaks in and steals your jewelry, you can deduct uninsured losses above 10 percent of your adjusted gross income — but that threshold is so high that it provides scant comfort. It would be like telling a company it could deduct only those losses above 10 percent of revenues.

Corporate America, as well as the legions of accountants and tax lawyers in its employ, is quick to defend its right to its deductions, arguing that hefty settlement costs and payments of legal claims are legitimate business expenses. Companies, the argument goes, are taxed on their income after their costs are deducted, not on their revenues, and these expenses are no different from paying employee salaries or the light bill.

Actions like these "are not criminal — maybe they're bad judgment," said Joseph W. Rebravitch, a professor of accounting and taxation at New York University, explaining why these tax breaks can be applied so broadly. "Why would the Government not allow the deductions?"

But the tax code does make distinctions. As a matter of policy, the Government does occasionally hold its nose. It does not, say, allow companies to deduct illegal bribes and kickbacks, punitive damages paid in antitrust suits, or criminal fines or penalties paid to the Government. Any punitive component of a civil settlement is also generally disallowed.

The ban on deducting such payments was meant to avoid frustration of the criminal law, said Elizabeth Garrett, a law professor at the University of Chicago. A pivotal case that helped to shape the Government's thinking, she said, was a 1958 Supreme Court ruling banning a trucking company from deducting the cost of multiple criminal fines.

"You don't want to encourage people to do these things by giving them a tax deduction," Mr. Rebravitch said.

Likewise, for symbolic reasons, the Gov-

ernment in 1994 sharply curtailed what businesses could deduct for restaurant meals and country-club dues. And under the Clinton Administration, it scaled back the amount of executive compensation that companies could deduct above \$1 million, even though the crackdown has generated very little revenue for the Treasury.

But as much as the Government frowns on a tax code that would ease the pain of any punishment it metes out, it seems to look the other way when companies engage in regrettable behavior that merely results in substantial civil payments or legal claims.

Even if the Government determines that the amount being paid was not meant to punish a company in any fashion, the question remains of whether the Government should subsidize the cost of making everything right. "All those things are deductible when you could argue they violate public policy," said Robert Willens, a tax and accounting analyst for Lehman Brothers.

THERE seems to be some room for interpretation on exactly which parts of a civil settlement should be considered punitive and not deductible, and which are the kind that can be used to lower a company's taxes. "This is one of the least clear areas in tax practice," said Wayne Robinson, a director in the Washington office of Price Waterhouse, which represents clients in settlement negotiations.

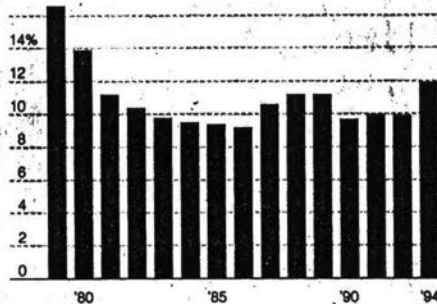
Robert Zarzar, a Price Waterhouse partner, said negotiations over the deductibility of civil payments were standard in settlement negotiations between companies and the Government. After all, he said, "it is 40 percent of any number you're talking about," when you figure in state and local taxes.

As a result, corporations will do their utmost to negotiate a settlement in which most, if not all, of the desired deductions would pass muster with the I.R.S. In fact, if lawyers are clever, and succeed in characterizing some of the settlement as a disgorgement of profit or restitution, tax experts say that part of it can usually qualify for a deduction.

For their part, Government agencies deny taking the tax impact of any settlements into account. "We never discuss tax issues in negotiating settlements," said Thomas C. Newkirk, an associate director of

Who Pays Taxes? Leona Almost Had It Right

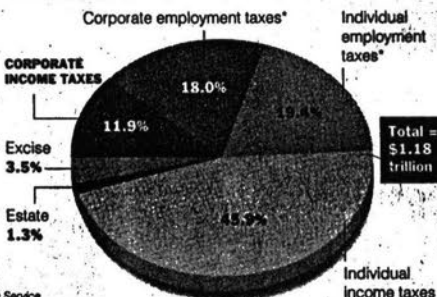
The percent of all Federal taxes that comes from corporate income taxes has remained fairly steady in recent years...



...and remains a relatively small portion of all Federal tax dollars collected.

Percentage of 1994 net tax revenues from each source

*Estimates



Source: Internal Revenue Service

the S.E.C.

Even companies that acknowledge some wrongdoing can qualify for the tax breaks. Take Salomon Inc.'s run-in, to put it mildly, with the S.E.C. over allegations that it submitted billions of dollars of unauthorized bids in auctions of Treasury securities. Although the Government never brought criminal charges, Salomon conceded that it had submitted some phony bids and ended up cooperating with the authorities. The firm settled the Government's civil suit in 1992 without admitting or denying the charges.

Under the terms of the \$290 million settlement, Salomon had to pay \$100 million into a fund open to anyone contending that he or she lost money as a result of its actions. The firm also ponied up \$122 million in "civil penalties" and \$68 million in forfeitures and other payments. While Salomon would not comment on what it considered deductible, tax experts say some of the settlement would appear to have qualified.

But wait, there's more. To cover all its costs from the incident, which included legal fees and other sizable costs in addition to the actual settlement, the firm took two pretax charges totaling \$385 million. There were thus \$95 million in added expenses, some of which were presumably legal costs, that may have been deemed deductible. There has never been much discussion of companies refraining from deducting legal costs, even unusually large ones.

The Government has also picked up the tab for other companies caught in mischief. When the Unisys Corporation ran afoul of the Pentagon for contracting fraud in 1991, the computer company considered the vast majority of the \$190 million it was forced to pay in fines and penal-

ties as deductible, although it did plead guilty to some criminal charges. Only \$4 million worth of criminal fines could not be deducted from its tax bills.

Litton Industries, another military contractor, plans to deduct the cost of an \$86 million Government suit it settled a year and a half ago; the suit asserted that Litton had overcharged the Defense Department for computer services.

Litton thus calculates its after-tax hit as just \$54 million, since the settlement characterized the full sum not as punishment but as restitution — money paid to make the Defense Department whole.

Since companies pay taxes on income before they must disgorge it, it would be unfair not to allow them to deduct these costs, said Arthur Feder, a tax lawyer at Fried, Frank, Harris in New York. "What you're doing is adding another penalty."

No one is accusing these companies of trying to fool the Internal Revenue Service. The issue is whether the Government should allow generous tax breaks under such circumstances.

The Government's charity is also apparent whenever a company faces exposure for anything from a terrible environmental accident to lawsuits over a product. When the Exxon Valdez ran aground seven years ago and spilled millions of gallons of crude oil into Prince William Sound, Exxon racked up hefty bills — and faces still more. But its settlement with Alaska and the Federal Government in 1991 called for it to pay just \$150 million in fines and additional payments totaling \$900 million over 10 years.

Between enormous legal bills and other clean-up costs, the company took a \$1.7 billion after-tax charge in 1989. How much was declared pretax and over what period of time the deductions may have been taken were never disclosed, and the company declined to comment.

Of course, in Exxon's case, the company may find itself with no Government-issued cushion to soften the blow in a pending dispute in Alaska. In 1994, a Federal jury there returned a verdict levying \$5 billion in punitive damages. Exxon is appealing, and



no one expects a resolution soon. If it loses those damages would almost definitely not be deductible.

Other companies are luckier. They can at least look forward to claiming a deduction on every dollar they pay out to people who say they have been hurt by their actions. Dow Corning, which faces billions of dollars in claims over its silicone breast implants, and Bankers Trust, which is paying substantial sums to settle suits over money-losing derivative products it sold, can both count on using those payouts to reduce their taxes. Bankers Trust declined to comment.

Employing the don't-kick-us-while-we're-down theory, some companies argue that without these valuable breaks they would not be able to stay in business. Dow Corning went bankrupt anyway, though it is still in business and may live to enjoy the accumulated tax benefits on the \$440 million in claims it has already paid.

As awful as some product-liability cases are, in some ways they are the best thing to have from a tax standpoint. Losses from some claims can be carried back a decade, while normal carry backs go back only three years. That period has been lengthened to 10 years in product-liability cases, an extension that grew out of litigation over asbestos-related illnesses. The reasoning is that companies facing extraordinary losses should be able to apply them over a sufficiently long period.

The White House, though, has recently proposed limiting carry backs to just a year. But as long as the current rules exist, years can pass during which corporate citizens can go without paying the I.R.S. a dime.

The Government also picks up some of the tab when companies deduct losses incurred for ventures that in hindsight can be seen only as quixotic attempts to diversify or introduce a new product. To be sure, the line between legitimate business expense and foolishness is blurry. Since many ventures entail risk, it is nearly impossible to discern when these costs should and should not be deductible, said Carl Polsky, an accounting professor at the Wharton School of the University of Pennsylvania. "Where do you draw the line?" he asked.

But there are plenty of outsize failures that could well make the tax-paying public wonder why the Government keeps helping to defray the cost. Mistakes like McDonald's McLean Deluxe hamburger, Coca-Cola's New Coke, or Federal Express's Zap Mail, each of which surely cost those companies plenty, are considered routine expenses — and thus can be used to reduce taxable income. The loss from New Coke, for instance, has been estimated at tens of millions of dollars.

Even UAL got to deduct whatever it paid an image consultant to anoint it Allegis, a roundly ridiculed name that it spent \$7 million just to advertise and then abandoned after about a year. And remember when Mobil announced in 1975 that it was getting into retailing with the purchase of Montgomery Ward? That bright idea lasted 13 years and ended in a tax deduction, too.

Another type of corporate folly is covered as well: overpaying for acquisitions. New tax rules dating from 1993 allow an acquirer in some cases to deduct over 15 years everything it paid in excess of what the hard assets of the purchased business were worth, an amount known as good will. The I.R.S. finally gave in to the demand for this deduction after the Supreme Court ruled in favor of allowing taxpayers to deduct such expenses.

But chances are, Corporate America has nothing to fear. Despite all the talk by politicians, both right and left, about the search for loopholes to close, there has been no rush to eliminate any of these deductions. The Government seems all too willing to keep handing out money for those seemingly not in need. As Mr. McIntyre of the Citizens for Tax Justice noted, "This isn't an anti-corporate-welfare Congress." □

WHITE OAK, MARYLAND

75 CENTS

Global Austerity

War on Inflation Curbs World-Wide Growth Too Much, Some Say

Central Banks Are Criticized
For Keeping Rates High,
Depressing Job Markets

The U.S. Is in the Best Shape

By JOHN R. WILKE

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — In the global economy, austerity reigns.

No sooner does the U.S. economy come out of its winter doldrums than stock and bond markets begin to worry about "overheating." There's nary a sign of inflation on the horizon, and economic growth is modest at best. Yet they fear the Federal Reserve will take its foot off the gas and may even step on the brakes, raising interest rates. That's because Fed policy makers and mainstream economists alike have said the economy can't grow much faster than 2% a year without sparking inflation.

But why can't it? A small but growing chorus of critics is beginning to question the mainstream view and ask whether economic policy makers aren't waging the wrong war.

Bruised by two decades of inflation and deficits, officials here and in other industrialized countries are keeping tight rein on budget and monetary policies; they are determined not to repeat past mistakes. In the process, some fear, they may also be throttling the chances of job-creating expansion around the world. This new wave of government austerity, critics argue, saps potential growth in many mature industrial economies even as those in Asia and elsewhere are soaring, heralding a historic shift in economic power.

Broad Group of Critics

The fast-growth gang extends beyond the usual cliques of liberal economists and supply-side enthusiasts. And it extends beyond Clinton-administration officials with their eyes on the November election. Included are people from across the political spectrum, both here and abroad, plus a growing number of corporate bosses. They contend that the world economy has changed fundamentally, and they complain that central bankers, led by the Federal Reserve, respond too slowly. Low unemployment won't trigger higher prices as it once did, they say; instead, global competition and corporate restructuring will keep prices down, while productivity gains will let growth flourish.

Above all, the critics want central bankers to relax their tight-money policies. "We have to be willing to take more risks" for faster growth, says Dana Mead, chief executive of Tenneco Inc., the Houston energy giant. "We can't afford not to," Jerry Jasinowski, president of the National Association of Manufacturers, says a recent survey finds an overwhelming majority of manufacturing executives calling for lower rates. High rates "are choking off growth," he says. "We need a more pro-growth policy coming from Washington." John F. Welch, General Electric Co.'s chief executive, says the economy can safely grow faster than its current 2% rate, "and we ought to let it."

Following the Bundesbank

Many of the critics are European. "The pressure to keep inflation down is stifling the whole system," says Gerhard Schulmeyer, chief executive of Siemens-Nixdorf AG, a big German computer maker.

In the effort to create a common European currency, several central banks there have linked their policies to those of Germany's austere and powerful Bundesbank. That, combined with efforts to contain government spending, has exacerbated Europe's already-high unemployment. German opposition leader Oskar LaFontaine derides this new fiscal and monetary austerity as "a pan-European program for recession." Even the German ruling party joins him in begging publicly for more rate cuts to boost the economy.

Japan, once the economic envy of the world, has been humbled by a three-year recession and only now is beginning to bounce back. Tokyo's policy makers have tried to revive the economy with lower interest rates and government spending, but critics say their action was too little and too late. Even now, Japan's recovery is fragile.

This leaves the U.S., of all major industrial economies, in by far the best shape. But the 1996 growth forecast here is just 2%, about the same as last year. Moreover, despite the low 5.6% unemployment rate, wages remain relatively stagnant, and polls find many Americans worried about layoffs, job security and a perceived stagnation in living standards.

'Simply Unacceptable'

Republicans exploit this anxiety as an election issue. "An economy that is just plugging along, too slow to create enough high-paying and stable jobs, is simply unacceptable," says Sen. Connie Mack of Florida, chairman of the Joint Economic Committee of Congress and an adviser to Republican presidential candidate Bob Dole. Steve Forbes scored points on the campaign trail by saying that with lower interest rates, "America can roar like a rocket."

On the left, Massachusetts Institute of Technology economist Lester Thurow contends the Fed's obsession with pushing inflation down to zero means "we are going to have longer, deeper recessions"

Please Turn to Page A12, Column 1

Some Decry Slow Global Growth

Continued From First Page

and slower recoveries." He says the U.S. economy could burst into new, noninflationary growth similar to that of the 1960s, if only the Fed would let it happen.

To be sure, the critics remain a distinct minority among economic thinkers. Most praise the new austerity as long overdue. By keeping growth modest and inflation low, they believe, policy makers can prolong the expansion and avoid the boom-and-bust cycles of the past. Indeed, financial markets seem to take some solace from this; despite the recent volatility, the New York Stock Exchange prices are up 33% from a year ago.

"The U.S. economy has perhaps the most solid macroeconomic foundation for growth that I've seen in my lifetime," says Lawrence Summers, the deputy Treasury secretary. Inflation and unemployment are low and job growth is strong. Annual deficits have been more than cut in half since 1993. And from Silicon Valley to Wall Street, Mr. Summers says, "our firms are among the most competitive in the world."

Robert Hormats, vice chairman of Goldman Sachs's international unit, says "the U.S. has dramatically improved our global competitiveness over the past decade." Adds William Niskanen, chairman of the conservative Cato Institute and a senior government economist during the Reagan administration: "The American labor market is a marvelous jobs machine."

Meantime, the threat of inflation has been largely banished, with the U.S. rate at its lowest level for decades. Similarly, for all Group of Seven industrial countries, it now averages only 2.5%. Even in the inflation-plagued developing nations, it is dropping to about 13% this year from 80% in 1990.

Budget deficits have been reined in as well; they now average 3.3% of gross domestic product for G-7 members, down sharply from 4.1% two years ago. The U.S. budget deficit is the lowest of any G-7 country, dipping last year to 2.3% of national production.

Hobbled Growth

But those sweeping changes extract a high cost in terms of growth, critics say. In the first six years of this decade, the U.S. economy grew an average of just 2%—down from about 2.8% in the 1980s, 3.6% in the 1970s and 5% in the 1960s. "We've trapped ourselves into a low-growth world because the Fed hits the brakes every time growth rises above 2%," even though many past conditions that made inflation so prevalent have subsided, Prof. Thurow says.

It isn't just policy makers, of course, who fear inflation and want budget deficits cut. Financial markets as well insist on relative stability, as demonstrated when signs of employment growth caused the bond market to plummet last Friday and the stock market as well on Monday.

"It's the end of the Keynesian age," says economist Rudy Dornbusch of the Massachusetts Institute of Technology, referring to the British economist who ar-

gued that budget deficits and easy money could spur economic growth. "And there can be no backsliding, because the global capital markets will punish any country falling from the path of reform." The unforgiving foreign-exchange and global bond markets, he says, "are the world's disciplinarians" and force countries to embrace austerity.

Sustainability Argument

Fed officials, and most mainstream economists, argue that an annual pace of 2% represents the economy's sustainable output. That's because they believe today's unemployment rate, 5.6%, is about as low as it can safely go without triggering wage increases and inflation. If that rate holds, growth can come only by adding new workers — and the work force is expanding only about 1% a year — or by making workers more productive. Yet productivity — output per hours worked — is also rising only about 1% a year.

Indeed, Fed governor Lawrence Lindsey says the Fed was "pushing the edge of the envelope" in January, when Chairman Alan Greenspan successfully argued for a rate cut despite an unemployment rate of only 5.6%.

Moreover, Mr. Greenspan and other Fed officials insist, despite their critics, that they aren't constraining growth. If productivity improvements make it possible to achieve more growth without inflation, the Fed will let it happen. We "do not set fixed speed limits on growth," Fed governor Janet Yellen says.

But people who want faster growth contend that the Fed nevertheless should be less concerned about inflation. Some say unemployment could drop as low as 5% without triggering inflation. Others say national statistics don't give a clear picture of the modern economy anyway. The statistics, for instance, don't fully measure productivity gains in services, which account for more than two-thirds of the total economy. And they overstate inflation, some argue by more than 1.5 percentage points, because the measurement system is outdated.

In part, the difference between the Fed chairman and his critics is that Mr. Greenspan would ultimately like to bring inflation down from its current level near 3%. "We're never satisfied," he sometimes says.

How far down? "A zero inflation rate is not the same thing as price stability," says the president of the New York Fed, William McDonough. With presumed errors in the system of calculating inflation ranging from 0.5 percentage point to as much as two percentage points, "price stability may best be thought of as an inflation rate falling somewhere within this range," he says. If the level is set too low, "we run the risk of tipping the economy into deflation," Mr. McDonough says, with potentially dire effects. This suggests the Fed's real goal is in the upper end of the range of presumed error, or near 2% annual inflation.

While the mature industrial economies record slow growth, the emerging economies of Asia and parts of Latin America, by contrast, worry more about overheating.

Gruntal Will Pay Fines For Alleged Embezzlement

Dow Jones News Services

NEW YORK — Gruntal & Co. will pay fines of \$6.2 million and set up a \$5.5 million restitution fund in settlements with regulators over an alleged embezzlement at the brokerage firm.

The accords, with the Securities and Exchange Commission, the New York Stock Exchange and the National Association of Securities Dealers, includes \$5 million in civil penalties from the SEC, a \$1 million fine from the Big Board and a \$200,000 fine from the NASD; the two industry regulators also censured the firm. The Big Board also is requiring Gruntal to have an independent outside director head its audit committee.

Gruntal's income was artificially inflated from 1985 to 1994 through the diversion of assets, said the SEC. "Obviously it shouldn't have happened," Gruntal President and Chief Executive Robert Ritterer said. "All the more reason to put our efforts into making sure it won't happen again."

Edward E. Bao, Gruntal's former executive vice president for operations and administration and a former Gruntal director, helped divert \$5 million in Gruntal assets as part of the alleged \$14 million embezzlement, the SEC said. Separately, Mr. Bao was indicted on 17 criminal counts of conspiracy, mail fraud and falsifying books and records, the U.S. Attorney's office in Manhattan said.

ing. The average growth rate for all developing countries was a strong 6% in 1995, with Asia at 8.7% — more than four times the U.S. rate.

Within 10 years, these expanding economies will, as a group, account for 48% of global output, compared with 47% for the G-7 countries — the U.S., Canada, Germany, France, Britain, Italy and Japan, according to the International Monetary Fund. And their share of world economic output is expected to expand.

The growth issue will get more attention in coming weeks when the Senate takes up Mr. Greenspan's nomination to a third four-year term at the Fed. Sen. Tom Harkin, an Iowa Democrat, vows to use the occasion to debate new approaches to Fed policy. Mr. Greenspan, he says, "is firmly planted in the past."

Despite such criticism, Mr. Greenspan seems certain to win confirmation. And the administration's two new appointees, economist Laurence Meyer and former Budget Director Alice Rivlin, also show little desire to pursue a much easier monetary policy. So, while the critics may be getting a hearing, they haven't yet convinced those who set the rules.

Coherent Laser Cleared by FDA

SANTA CLARA, Calif. — Coherent Inc. said it received U.S. Food and Drug Administration approval to market a laser that can be used to remove tattoos, birthmarks, lesions and other skin marks. The company said its VersaPulse Aesthetic laser can perform jobs that often require four separate devices.

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THE PRESIDENT HAS SEEN

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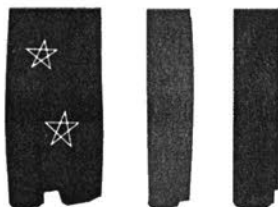
March 25, 1996

MEMORANDUM TO THE PRESIDENT
FROM: RAHM EMANUEL
SUBJECT: DRUGS

Attached is a letter from Jim Burke, who is Chairman of the Partnership For A Drug-Free America. He thinks it is very important for you to see this letter.

JIM DORSKIND:
PLEASE COORDINATE
THE REPLY.

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PARTNERSHIP FOR A DRUG-FREE AMERICA

JAMES E. BURKE
Chairman

March 22, 1996

Honorable William J. Clinton
President of the United States
The White House
Washington, DC

Dear Mr. President:

I'm writing you in regards to an opportunity somewhat similar to the one we discussed in your office when I brought up the possibility of a bipartisan commission on drugs to be headed up by Bill Bennett. At that time, you seemed quite responsive to the idea but for a lot of reasons it never happened.

It is my understanding that the Republican Party is moving towards taking a public position on the drug problem which is, at this point, likely to be highly partisan. I strongly believe that this is not only bad for the country, but also bad politics if we end up conflicted on this issue along party lines. This would be highly unfortunate in view of the fact that all our considerable research tells us that the country is remarkably unified on what needs to be done to help solve the drug problem.

I discussed with Bill Bennett the possibility of you, Mr. President, making a report to the nation from the Oval Office, attended by General McCaffrey, Bill Bennett, Speaker Gingrich, and Senator Dole that there was strong agreement for a bipartisan approach to the drug issue. An announcement would be made that, within 60 days, General McCaffrey and Bill Bennett would present their specific recommendations to the President and Republican leadership. I believe, Mr. President, that such an announcement could have a profoundly positive effect on the drug problem.

Bill Bennett was excited about the idea and asked me if I would be able to meet with you to discuss it. I was convinced in Bill Bennett's belief that he could persuade Bob Dole to the importance of this initiative.

If you feel this idea has merit, I would be happy to play whatever role you might designate in bringing Speaker Gingrich and Senator Dole to the table. I am morally certain that Bill Bennett passionately believes that this issue should be a bipartisan one. I am also convinced, from my discussions with Speaker Gingrich and the anti-drug community coalitions he has helped to launch, that he would agree as well.

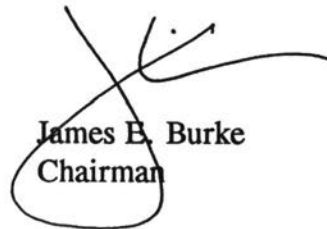
Honorable William J. Clinton
March 22, 1996
Page TWO

I do hope you are intrigued enough with this proposal to permit me to meet with you for 15 minutes to plead my case, as soon as your schedule permits.

I am currently on vacation and can be reached at 801-647-0055 until Sunday afternoon at 2:00pm EST when I will depart Salt Lake City and return to New York. After midnight EST on Sunday, I can be reached at 212-751-3134. On Monday, March 25th, I can be reached at 212-973-3514, at the offices of the Partnership for a Drug-Free America.

Mr. President, with great respect, I am genuinely convinced that this is a significant opportunity for the nation.

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Burke". The signature is stylized with a large, sweeping "X" or "B" shape. Below the signature, the name "James E. Burke" and the title "Chairman" are printed in a serif font. The word "Chairman" is on a separate line and is partially enclosed by a hand-drawn oval.

James E. Burke
Chairman

JEBel

THE PRESIDENT HAS SEEN

5/14/96

*Don't
Washburn
1st 30 min
let alone*

WHITE HOUSE
WASHINGTON

April 9, 1996

Dr. Ray R. Irani
Occidental Petroleum Corporation
10889 Wilshire Boulevard
Los Angeles, California 90024

Dear Ray:

Thanks for your recent letters and for your suggestion that I meet with His Excellency Yab Dato Seri Dr. Mahathir bin Mohamad of Malaysia. Unfortunately, my schedule next month won't allow me the time to meet with him. I do, however, appreciate your recommendation.

I had a wonderful time with you and Ghada last month and was so glad you could stay the night.

Sincerely,

*NSC provided info
for response.*

*Lee Hsu
by political -
sounds a little
cool -*

OCCIDENTAL PETROLEUM CORPORATION

10889 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90024
(310) 443-6144

DR. RAY R. IRANI
CHAIRMAN OF THE BOARD
PRESIDENT
AND
CHIEF EXECUTIVE OFFICER

March 29, 1996

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

Dear Mr. President:

Ghada and I wish to thank you for the exceptionally warm hospitality which you showed us during our overnight stay at the White House this week. We were indeed honored to have had the opportunity to spend some time visiting and talking with you. I have often heard both you and Mrs. Clinton emphasize that the White House is "the people's house." I can assure you that you made us feel welcome and at home. It was an experience we shall never forget.

We are very sorry that we were unable to visit with Mrs. Clinton and Chelsea, but we look forward to seeing Mrs. Clinton in Los Angeles at a reception at Sid Sheinberg's home on April 12. Hopefully, we will have the chance to meet Chelsea very soon.

Thank you, again, Mr. President, for your kind and generous reception. Please accept our very best wishes and warmest personal regards.

Sincerely,

Ray

:mlt

OCCIDENTAL PETROLEUM CORPORATION
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LOS ANGELES, CALIFORNIA 90024
(310) 208-8800

DR. RAY R. IRANI
CHAIRMAN OF THE BOARD
PRESIDENT
AND
CHIEF EXECUTIVE OFFICER

*mailed
by input
from
Goh*

March 27, 1996

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

Dear Mr. President:

I understand that His Excellency Dr. Mahathir bin Mohamad, the Prime Minister of Malaysia, will be in Washington, D.C. on May 21. I am writing to urge you to meet with the Prime Minister during his visit.

Malaysia was America's eleventh largest trading partner in 1995 with two-way trade of \$26.3 billion. Many large American companies, including Occidental Petroleum Corporation, have found Malaysia to be an excellent place to do business. The Malaysian economy is strong and growing, offering an attractive investment environment. A meeting between you and Dr. Mahathir would certainly solidify and enhance the vital commercial relationship that exists between the United States and Malaysia. As a member of your Export Council, I know first-hand the importance which U.S. companies place on stable and open markets. U.S. exports to Malaysia totaled \$8.8 billion in 1995.

Occidental has been active in Malaysia since 1988. We operate three production sharing contracts covering more than eight million acres in the area offshore the east Malaysian state of Sarawak. This is the largest exploration acreage held by any company in Malaysia at this time. Occidental's investment to date is approximately \$120 million. We estimate that future investment in Malaysia by Occidental will be \$600 million. Much of this future investment will be expended under a joint-venture agreement with the Malaysian national oil company, PETRONAS, and two other companies, to construct Malaysia's third liquefied natural gas (LNG) plant in the state of Sarawak. When operational, this LNG plant will position Malaysia as one of the world's leading producers of LNG. I am extremely pleased that Occidental will play such an important role in the development of Malaysia's LNG sector.

I would like to commend you and your Administration for the work which has been done since you took office to enhance and strengthen the trade and commercial relationship between the United States and Malaysia. I am confident that the U.S.-Malaysian partnership will continue to prosper in the days and months ahead.

Thank you for your consideration.

Sincerely,

RR Irani

March 28, 1996

Mr. Phillip W. Farmer
Chairman, President and Chief Executive Officer
U.S. ASEAN Council for Business
and Technology, Inc.
1400 L Street, N.W.
Suite 375
Washington, D.C. 20005-3509

Dear Mr. Farmer:

Thank you for requesting that President Clinton meet with Prime Minister Mahathir bin Mohamad of Malaysia.

Unfortunately, the President's schedule does not give him the opportunity to speak with as many people as he would like. He regrets that he will be unable to meet with Prime Minister Mahathir.

On behalf of the President, thank you again for your kind offer. We encourage you to contact our office if we can be of any assistance.

Sincerely,

Stephanie S. Streett
Director of Scheduling

Anne Walley
Director of Scheduling

SSS/AW/dxk



THE WHITE HOUSE

THE PRESIDENT'S PERSONAL CORRESPONDENCE OFFICE

Phone: 202-456-2957 • Fax: 202-395-4198

Date: April 3To: Margot SpintusFrom: Maureen Lewer - 6-2707Fax Number: 6-6424Number of Pages Including Cover: 2

*please send
to the NSC
for comment*

Comments: Could you or someone in NSC let
me know if/when there's a decision
on whether or not POTUS can meet
w/ Prime Minister of Malaysia?

Thanks. -maureen

OCCIDENTAL PETROLEUM CORPORATION
10880 WILSHIRE BOULEVARD
LOS ANGELES, CALIFORNIA 90024
(310) 208-8800

DR. RAY R. IRANI
CHAIRMAN OF THE BOARD
PRESIDENT
AND
CHIEF EXECUTIVE OFFICER

March 27, 1996

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The White House
Washington, D.C. 20500

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Thank you for your consideration.

Sincerely,

RR Irani

*Maureen
at input
from
Gabe*

Malawi

His Excellency
Bakili Muluzi,
President of the Republic of Malawi,
Lilongwe.

Dear Mr. President:

His Excellency
Edward Swanali,
Minister of Foreign Affairs
of the Republic of Malawi,
Lilongwe.

Dear Mr. Minister:

Malaysia

His Majesty
Sultan TUANKU JA'AFAR Ibni Al-Marhum Tuanku Abdul Rahman,
Yang di Pertuan Agong of Malaysia,
Kuala Lumpur.

Your Majesty:

✓ His Excellency
Yab Dato Seri Dr. MAHATHIR bin Mohamad,
Prime Minister of Malaysia,
Kuala Lumpur.

Dear Mr. Prime Minister:

His Excellency
Datuk ABDULLAH Haji Ahmad Badawi,
Minister of Foreign Affairs of Malaysia,
Kuala Lumpur.

Dear Mr. Minister:

Maldives

His Excellency
Maumoon Abdul Gayoom,
President of the Republic of
Male.

4/4

His Excellency
Fathulla Jameel,
Minister of Foreign Affairs
of the Republic of Maldives,
Male.

Mali

His Excellency
Alpha Oumar Konare,
President of the Republic of
Bamako.

His Excellency
Ibrahim Boubacar Keita,
Prime Minister of the Republic of Mali,
Bamako.

His Excellency
Dioncounda Traore,
Minister of Foreign Affairs
and African Cooperation,
Bamako.

Maurice,
The request for the President to
meet w/ the Prime Minister of
Malaysia was regretted. Per NSC.
Here is a regret letter I wrote to
someone who was requesting the same
thing. Let me know if you would like

us to send a letter to Dr. Traore.

Thanks,
Jen Jose

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SENT

4-14-96

April 13, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *for*
HELEN HOWELL

SUBJECT: Recent Information Items

NSC
~~FOR THE PRESIDENT~~

Please coordinate
the reply.

We are forwarding the following recent information items:

- Mem. to
Chair (EJ)
6/5/97*
- (A) **Bob Crandall letter on upcoming meeting with Prime Minister Hashimoto.** Via Betsey Wright. Crandall, President of American Airlines, urges you to push for negotiation of new passenger provisions of the civil air transport agreement. He notes importance of Japan for many U.S. airlines and says American wants to provide additional service between Chicago, Dallas/Fort Worth, New York, and Los Angeles and both Tokyo and Osaka.
- Call*
- (B) **Quinn/Erichsen response on Colorado District Court nomination.** The proposed nominee, Walker Miller, is a Democrat identified by Sen. Brown, supported by Gov. Romer and Pat Schroeder, and favorably evaluated by a bipartisan committee organized by Jim Lyons. The explanation for Brown's large role is that it is part of a larger deal whereby Brown last year agreed to support Carlos Lucero for the 10th Circuit and Wiley Daniel for the District Court in Denver in return for a role in the selection of the nominee for the other District Court vacancy. He felt that he had been unfairly excluded from the judicial selection process by Sen. Campbell.
- (C) **Katzen follow-up on NHTSA's CAFE standards for 1998 light trucks.** Via Leon. Final rule was issued March 29. DOT appropriations language for FY 96 froze standard at 20.7 miles per gallon -- same as 1996 and 1997. Absent this language, the standard would have been *lower* because Chrysler recently revised its projected capability downward. Had NHTSA tried to set a lower standard, enviros would have been upset since standard is only 0.2 mpg higher than in 1987, and these trucks amount to over 40% of new passenger vehicles. Reaction by manufacturers and Congress so far has not been bad. But Chrysler will have difficulty meeting the 1998 standard, and will thus have to either (i) sell more of its most fuel efficient vehicles; (ii) submit a plan showing it will exceed the standard in future years to balance off 1998; or (iii) pay a fine of \$5 per vehicle for every 0.1 mpg short of the standard. No U.S. firm has ever been fined. GM and Ford are better able to meet the standard, but it may not be easy for them either.



R L Crandall
Chairman and President

April 9, 1996

The Honorable William J. Clinton
President
The White House
Washington, DC 20500

Dear Mr. President:

I am writing you to express our hope that you will use the occasion of your forthcoming meeting with Prime Minister Hashimoto in Tokyo to urge that the governments of Japan and the United States begin negotiation of new passenger provisions of the civil air transport agreement.

As you know, the United States and Japan recently reached agreement on changes to the all-cargo provisions of the air transport agreement. The successful conclusion of all-cargo negotiations provides important momentum for consultation on passenger matters, which the Japanese ardently desire.

Japan is an immensely important destination for U.S. airlines, because a very large percentage of travelers to and from Asia include it in their itineraries, and because its strategic geographic location makes it an ideal connecting point for passengers enroute between the United States and other Asian centers.

American is extremely anxious to provide additional service between the United States and Japan. We have applications pending before the Department of Transportation for service between Chicago, Dallas/Fort Worth, New York, and Los Angeles and both Tokyo and Osaka.

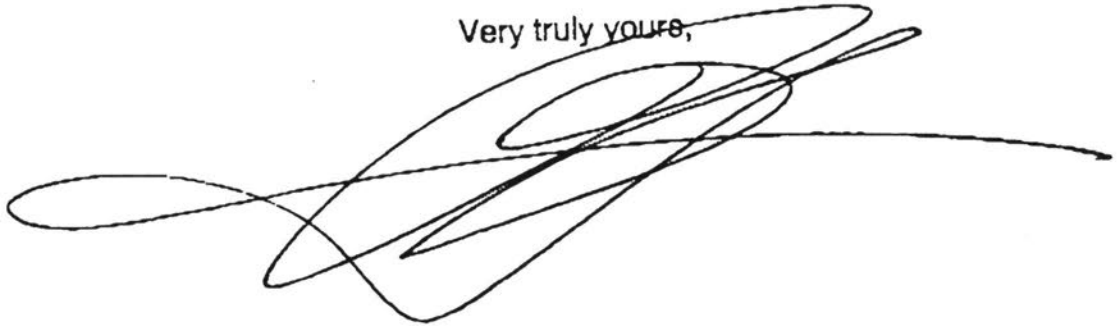
These new services will produce many new U.S. jobs. Some of these jobs will be created because the new services will generate additional orders for U.S.-built aircraft, and cause large purchases of other operating supplies. Others will be the result of the fact that new flights will increase the number of Japanese and other Asian nationals visiting the United States, which will produce new jobs in travel and tourism ventures of all kinds. Finally, increased service will facilitate the export of U.S. goods to Japan and elsewhere in East Asia, encourage economic development here and abroad, and drive new tax revenues for the U.S. government.

The Honorable William J. Clinton

2

Mr. President, we hope you will tell Prime Minister Hashimoto that the United States is ready to begin the next round of civil aviation negotiations with Japan, which his government has earnestly sought for more than two years. These discussions are likely to be complex and lengthy, as were the recently completed all-cargo negotiations. Nevertheless, we believe that agreement can be achieved, and think that an accord which moves the U.S.-Japan aviation relationship along the road to liberalization would be regarded as an outstanding accomplishment of your Administration.

Very truly yours,

A large, stylized handwritten signature, likely of Bill Clinton, written in dark ink. The signature is composed of several overlapping loops and a long horizontal stroke extending to the right.

eh

THE PRESIDENT HAS SEEN

4/14/96

McCarty
Klein
per TPS

(D)

Rubin note on improved economic mind set in Latin America. After attending last week's annual meeting of the Inter-American Development Bank, Bob reports much positive change in attitude, with discussion focused on methods of attracting investment capital, establishing a healthy macroeconomic environment through fiscal discipline and low inflation, and strengthening the role of the private sector. Your financial support program for Mexico together with Mexico's decisive actions, is viewed as critical to having avoided a protracted regional economic crisis. Rubin will host Latin Finance Ministers in New Orleans next month.

(E)

Gober memo on Vietnam. Herschel led a recent mission to Vietnam on POW/MIA accounting. He believes the Vietnamese are cooperating, but reports that they don't believe the POW/MIA effort should be linked politically to other bilateral issues such as human rights. Herschel also counsels against any reduction in the modest \$3 million in humanitarian aid we provide (through NGOs). Senior also expressed concern that the U.S. is reducing humanitarian assistance to Vietnam. Vietnamese are eager to improve relations and work toward a trade agreement. Herschel says without positive movement by us, Vietnamese political support for U.S. concerns will erode."

Gov. Chiles letter to Dole on Everglades. Via Leon. Letter, sent at our urging, thanks Dole for help in passing Farm Bill with \$200 million for Everglades. Underscores threat to Everglades from rider to the Omnibus FY 96 Appropriations bill which would eliminate EPA's ability to override permits to fill in wetlands, used in 1988 to save 432 acres of the Everglades in 1988: "one cannot be 'anti-wetland' and 'pro-Everglades' at the same time." Urges Dole to get rider dropped.

(F)

Elliot Richardson letter on habeas corpus legislation. He thanks you for your thoughtful response to letter from him and former AGs Civiletti, Katzenbach and Levi. Also for follow-up meeting with Jack Quinn and Walter Dellinger. Basically, he urges you to push for "modest revisions" to the habeas provisions in the anti-terrorism bill and notes that he and his colleagues believe the current problematic provisions in the bill (e.g. on deference) won't survive what is sure to be a lengthy constitutional challenge. Irony will be that these "streamlining" provisions will tie things up more than ever.

(H)

February statistical report from the INS. Via Rahm. A record high number of asylum applications was reported (22,985) representing a 111% increase over February 1995. Compared to February 1995, inspections of citizens and aliens for entry to the U.S. are up 6% to 36.3 million. The Border Patrol made 150,821 apprehensions at the SW border during February, an increase of 28% over February 1995. Applications for immigration benefits in February 1996 decreased 1% (to 313,956) compared to those received in the previous February, and approvals were up 14% while denials rose 13%. New applications for naturalization benefits increased by 12% (to 87,909) compared to the number received in February 1995, and over 59,400 applications were approved, a 52% increase over the same month last year. INS removed 5,002 aliens from the U.S. in February (up 53% over last February), and 2,447 of them were criminal aliens. February successful completions of criminal



THE PRESIDENT HAS SEEN
4-14-96

CHIEF OF STAFF TO THE PRESIDENT

TO THE President -
Chile letter on Congress
to DOE - we urged to send.




STATE OF FLORIDA

Office of the Governor

THE CAPITOL

TALLAHASSEE, FLORIDA 32399-0001

LAWTON CHILES
GOVERNOR

April 5, 1996

The Honorable Bob Dole, Majority Leader
United States Senate
141 Hart Senate Office Building
Washington, DC 20510-1601

Dear Senator Dole:

I am pleased that, like so many other Americans, you selected Florida for the perfect spring vacation. I hope your time in the Sunshine State has been restful and pleasant.

I am writing because of your helpful role in passing the recent Farm Bill that, among its many provisions, included at least \$200 million for Everglades restoration. This is a very good provision and I want to thank you for helping Florida's Senators and Representatives to secure its inclusion in the final legislation. I am glad that you are taking notice of the Everglades and offering your support -- the Everglades is a precious resource to the people of this State and the Nation.

Given your interest, I want to bring to your attention two other critical steps that need to be taken to help the Everglades.

When you return to Washington, Congress will resume deliberations on the so-called Omnibus Appropriations Bill for fiscal year 1996. One of the many anti-environmental policy riders on that bill, as passed by the Senate, poses a substantial threat to the Everglades. The rider in question would weaken existing federal wetland protection law by eliminating the Environmental Protection Agency's authority under section 404(c) of the Clean Water Act to override wetland fill permits. You may not know that EPA's most recent use of its authority in the State of Florida was in 1988, when the agency and the State acted together to prevent the loss of 432 acres of wetlands in the East Everglades area. It strikes me that one cannot be "anti-wetland" and "pro-Everglades" at the same time. I hope you will work to ensure that the rider is dropped.

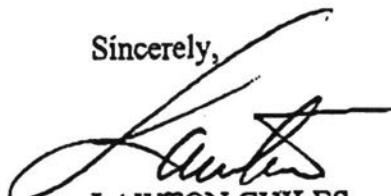
Second, I would very much appreciate your help to expedite enactment of the Administration's comprehensive Everglades restoration plan. Based on good ideas and good science developed here in Florida, the Administration's plan will make sure that the requisite Federal authorities and resources are available to match the State's efforts to restore the Everglades in a timely, prudent way. The \$200 million is a good step -- but it is certainly not the last step. I urge you to use your authorities to make sure that the comprehensive plan becomes law before the end of this congress.

The Honorable Bob Dole
April 5, 1996
Page 2

Again, thank you for your leadership and consideration of these issues of mutual interest and concern.

With kind regards, I am

Sincerely,



LAWTON CHILES

LC/lp

THE PRESIDENT HAS SEEN

4/14/96

Hilley
Cort
Quinn
per TPS

(D)

Rubin note on improved economic mind set in Latin America. After attending last week's annual meeting of the Inter-American Development Bank, Bob reports much positive change in attitude, with discussion focused on methods of attracting investment capital, establishing a healthy macroeconomic environment through fiscal discipline and low inflation, and strengthening the role of the private sector. Your financial support program for Mexico together with Mexico's decisive actions, is viewed as critical to having avoided a protracted regional economic crisis. Rubin will host Latin Finance Ministers in New Orleans next month.

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(G)

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all these
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me to go
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we need to
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only leaders
of port

ELLIOT L. RICHARDSON
INTERNATIONAL SQUARE BUILDING
1825 EYE STREET, N.W.
WASHINGTON, D.C. 20006

THE PRESIDENT HAS SEEN

4-14-96

April 4, 1996

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

Dear Mr. President:

Thank you for your thoughtful response to the letter from me and former Attorneys General Civiletti, Katzenbach and Levi regarding habeas corpus legislation, and for making possible a follow-up meeting with your senior staff, including Jack Quinn and Walter Dellinger. We came away deeply impressed with your administration's commitment to preserving the traditional scope of habeas corpus review of criminal convictions. Subsequent efforts by OMB and Judge Mikva confirm your concern about the constitutionality of the pending legislation, and are much appreciated.

OMB's statement that the habeas corpus provisions are subject to "potentially meritorious constitutional challenge" has apparently caught the sincere concern of the conferees on the terrorism legislation. As you know, my colleagues and I see little potential at all for provisions such as the deference requirement to survive multi-faceted and lengthy constitutional challenge. It is a cruel certainty that the inclusion of such provisions will ultimately frustrate, rather than promote, the shared interest of the Congress, the public and yourself in streamlining the review of criminal convictions.

We strongly urge you to amplify upon your constitutional concerns, in personal conversations with conferees, to encourage them to consider modest revisions to the habeas corpus provisions as an essential component of producing broadly acceptable terrorism legislation. In light of the short timetable for conference action, we hope you will be able to do this quickly.

With great respect,

Sincerely,



Elliot L. Richardson

4.14.96

Lama → CCMR (Votusai) (MK - Micky Kantor)
he wants to go when we
go back - he's sharp Be
+ good supporter

Sindy
MAHLON APGAR, IV
PRINCIPAL

Mr. President:

I would be honored
to help re-emerge the
Bosnia mission. Phil Lader
and Mary Good know my
qualifications. Sandy Apson