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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Jack Quinn to POTUS re: Meeting or Phone Call [partial] (1 page)	05/17/1996	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 7697

FOLDER TITLE:

Chron Files May 27-31, 1996: Tuesday, May 28, 1996 [1]

2019-0774-S

rs3319

RESTRICTION CODES

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

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

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

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

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

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

RR. Document will be reviewed upon request.

- (F) **McCurry regional media update.** *Corporate Responsibility* -- Lader, Reich, Rivlin, Stephanopoulos and others did radio interviews reaching more than 870 stations. Administration officials appeared on 8 nationally syndicated business TV shows. *Crime* -- Seventy-five reporters dialed in to listen to your conference call with mayors announcing the COPS grants, and the gang suppression event received good regional coverage including a front page story in The Chicago Tribune and interviews reaching 615 radio stations. 107 radio interviews were conducted around the Megan's Law bill signing. *Other notes* -- Your radio actualities continue to receive "excellent pick-up." Press Office is working with Cabinet Affairs to make sure you are included in major regional Cabinet announcements.
- (G) **May 17 note from Mack.** Appreciates your support for Linowitz dinner, which sent positive message to Latin Americans. Also mentions a good meeting he had with Hillary about the Olympics, and notes some hopeful signs on the gas prices front.
- (H) **Paul Dimond commencement speech.** To University of Michigan's School of Public Policy. Focuses on success of your economic policy and on the "Age of Possibility" brought about by the transition from industrial to information age.

We also received the following items:

Need Congrat to let from
Gibbons note on award of 1997 Priestley Medal to Mary Lowe Good. Commerce Undersecretary Lowe is the first woman to receive the American Chemical Society's most prestigious award, and she is featured on the cover of the May 13 issue of Chemical and Engineering News. "I wanted to make sure you were aware of this latest tribute to another "son" of Arkansas!"

✓
Thank you from Sen. Hatfield. For Kennedy Center reception. conversation and delicious food, along with your warmth and thou appropriate ingredients to create a delightful evening."

✓
Thank you from Sen. Kennedy. For your hospitality at the Ken reception. "Your remarks were gracious and eloquent. Vicki and members of the Kennedy family are most appreciative of your thoughtful mention of President Kennedy and Jackie."

JIM DORSKIND:

Please coordinate the reply.

THE WHITE HOUSE
WASHINGTON

Mr. President MAY 21 P3:49

Attached is the announcement
of the award of the famed Priestley
Medal to Mary Lowe Good.
It is the highest award of the
American Chemical Society, and
I wanted to make sure you
were aware of this latest tribute
to another "son"* of Arkansas!

Jack Gibbons
5/21/96

* Mary is the first woman to
receive the Medal!

CHEMICAL & ENGINEERING NEWS
ENR

MAY 13, 1996

POLYESTER RESIN MAKERS RUSH TO FILL BURGEONING BOTTLE DEMAND PAGE 11

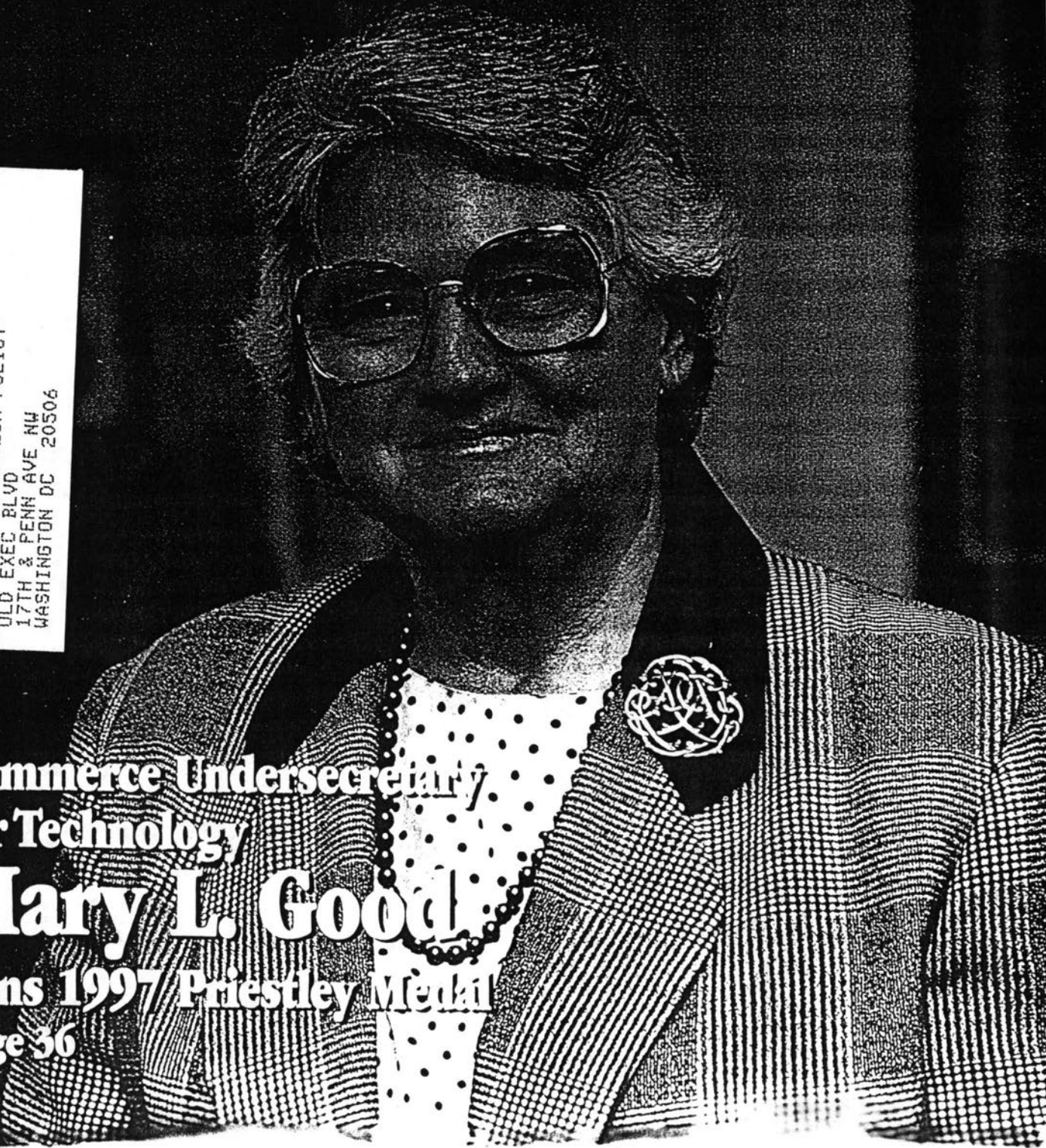
***** 3-DIGIT 205
0173834712966300H07420W 1 0805
DR JOHN GIBBONS
OFC SCIENCE & TECH POLICY
OLD EXEC BLVD
17TH & PENN AVE NW
WASHINGTON DC 20506

Commerce Undersecretary
for Technology

Mary L. Good

wins 1997 Priestley Medal

Page 36



NEWS OF THE WEEK

■ Scientists take first steps toward genetically modifying mosquitoes to prevent them from transmitting infectious viruses, using antisense RNA to prevent dengue virus from replicating in mosquito's saliva. **Page 4**

■ National Academy of Engineering members will decide by mail ballot whether to remove Harold Liebowitz as academy president after a year of turmoil. **Page 5**

■ Malaysia's Petronas makes major moves into petrochemicals, forming ventures with Union Carbide to build ethane/propane cracker and with Japan's Mitsubishi to build aromatics complex. **Page 5**

■ Joint U.S.-Japanese efforts in science and technology are boosted by the annual meeting of a bilateral Cabinet-level committee. **Page 6**

■ Pentagon seeks U.S. firms to help Russia destroy its chemical weapons, including preparing an analytical lab and building a destruction facility. **Page 6**

■ Researchers identify cell protein they call a "fusin," which acts as a cofactor for entry of AIDS virus into immune system cells. **Page 7**

COVER: Photo by C&EN's David J. Hanson

Volume 74, Number 20
CENEAR 74 (20) 1-64
ISSN 0009-2347

BUSINESS

Polyester resin producers continue to add capacity to meet growing global demand, despite slipping prices that presage a glut. **Page 11**

Sustainable development—a simple concept—is difficult to implement and to convey, chemical executives agree. **Page 17**

China courts foreign chemical firms that are wary yet lured by the country's huge potential market. **Page 20**

Biotechnology and new pest management strategies are focus of American Crop Protection Association's spring conference. **Page 22**

GOVERNMENT

Math and science education in the U.S. is improving, but the gap between white students and black and Hispanic students remains substantial, according to National Science Foundation. **Page 24**

Government Insights: Recent approval of Procter & Gamble's olestra fat substitute shows the importance of FDA. **Page 25**

SCIENCE POLICY

Japan struggles with its vision for science and technology, seeks to foster creative, innovative thinking. **Page 26**

ENVIRONMENT

Synthetic hormone disrupters in the environment are focus of major research initiatives aimed at understanding whether they can damage human reproduction. **Page 28**

SCIENCE/TECHNOLOGY

Calcium and sodium nerve-cell channel blockers that avoid hallucination side effects are being pursued to prevent nerve-cell injury following stroke. **Page 41**

Compounds that block virus-cell fusion are being developed as potential antiviral drugs. **Page 45**

Minority chemists, chemical engineers gather to celebrate accomplishments at 23rd annual NOBCChE meeting in Detroit. **Page 46**

PRIESTLEY MEDAL



Department of Commerce Undersecretary for Technology Mary Lowe Good wins the 1997 Priestley Medal in recognition of her many and varied contributions to chemistry. **Page 36**

LETTERS	2
EDITOR'S PAGE	3
CONCENTRATES	
Business	9
Government	23
Science/Technology	40
THE DEPARTMENTS	
New Products	48
ACS News	49
Newsprints	64

5.28.96

THE WHITE HOUSE

WASHINGTON

May 25, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN ⁹⁰³
HELEN HOWELL

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

(A) **Glickman letter on Kansas Senate situation.** Bottom line -- he is not interested in leaving Agriculture to run for Dole's seat.

(B) **McCurry/Baer memo on media interviews.** Detailed chart of proposed media interviews -- print, tv and radio -- for the summer. List has been circulated to Evelyn, Harold, George, Doug, Ann Lewis and Joe Lockhart. *If there are any of these you don't want to do, you should indicate that or discuss with Mike and Don.*

*Setup
to go
cc: Guss
ES*

(C) **Cisneros memo on Administration accomplishments.** In the next critical months, your HUD team is focussing on three concrete successes -- the homeownership strategy as it is working in the cities, Empowerment Zones, and the transformation of public housing -- all "wrapped in a rubric of hopefulness about the signs of recovery in city after city across America." Henry encloses a report on the State of America's Communities that he presented last month to the National Press Club last month. Core message: "President Clinton's Administration is a partner with America; we can do it if we work together!" He'd like to get 20 minutes with you to show some "very impressive" slides of rehab projects underway in our cities.

JIM DORSKIND:
Please coordiante the reply.

(D) **Rasco follow-up on SSI and transfer of assets.** SSA has submitted le establish a transfer of asset restriction under SSI as GAO recommended transfer restriction repealed in 1988 was considered arbitrary since it a 2-year restriction regardless of the value of the transferred resource. T proposed restriction would make individuals transferring more valuable ineligible for SSI benefits for longer periods than those who transfer les resources. The 1988 repeal costs the SSI program about \$5 million anr. *any.*

*Good -
Nancy
Neil Gray
Neil Gray*

(E) **Media coverage of corporate citizenship conference.** Impressive coverage. Highlights: 4-page Time Magazine article; 3 NY Times articles including a mostly supportive editorial; 2 Washington Post stories; a front-page story in the LA Times; 5 USA Today articles; pictures of you at the conference in major papers across the nation; Rita Braver story on CBS Evening News and Wolf Blitzer stories on CNN.



THE PRESIDENT HAS SEEN

5.28.96

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

MEMORANDUM

FOR: Honorable William J. Clinton
Vice President Al Gore

FROM: Henry G. Cisneros

DATE: May 20, 1996

SUBJ: Administration Accomplishments

*See report
to President
5/28/96
HGC*

As we go into the most critical months for telling the story of your Administration's accomplishments, your entire team at HUD has focused on three concrete successes - the homeownership strategy as it is working in the cities, the Empowerment Zones, and the transformation of public housing - all wrapped in a rubric of hopefulness about the signs of recovery in city after city across America.

I presented a "test run" of the coherence of that message in a speech and slide presentation at the National Press Club last month. (See Attached) It works. The reviews have been good, the response from the cities appreciative, and much good press has been stimulated. We are employing a fully orchestrated effort behind each message and will intensify it over the months ahead. The attached clips will give you a sense for how the message comes through.

You may wish to use some of these ideas in your travels to cities across the nation. We have examples of successes in the hundreds of cities in which we have been active. The core message: "President Clinton's Administration is a partner with hopeful communities all across America; we can do it if we work together!"

Mr. President: In 20 minutes, sometime I'd like to show you some very impressive slides of the revitalization projects underway in cities. I will work on scheduling.

96 MAY 23 P4:10

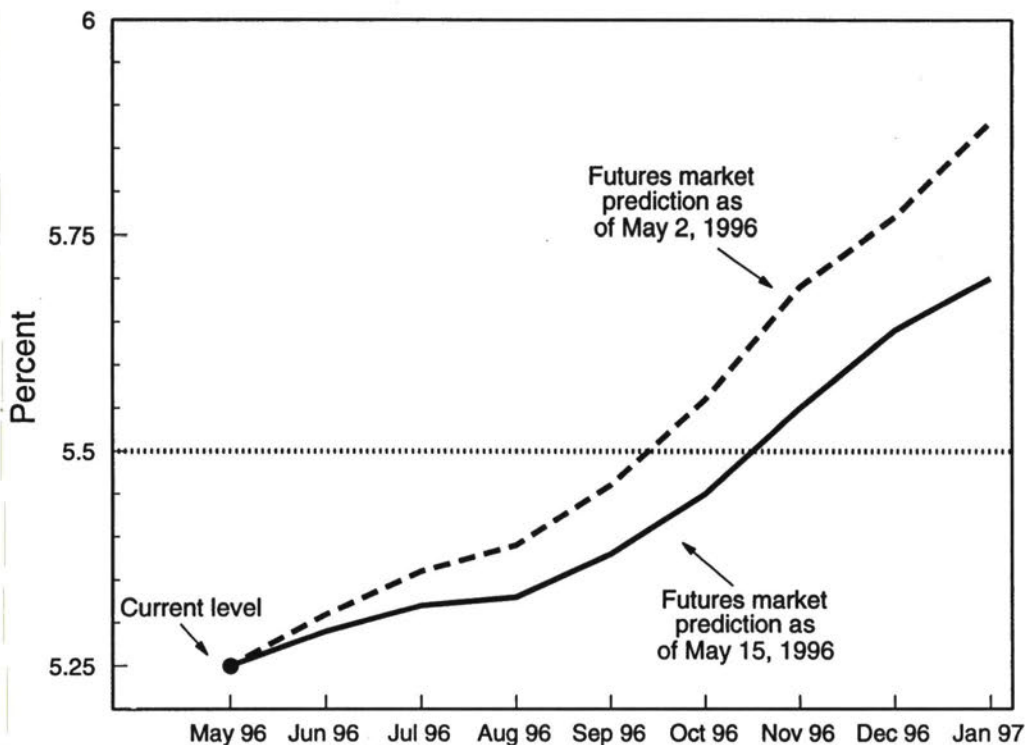
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

May 17, 1996

CHART OF THE WEEK

Rise in Federal Funds Rate Less Likely



The futures market is predicting no change in the federal funds rate at next week's meeting of the Federal Reserve's Open Market Committee and less chance than it had been of an increase through the November election. Following the report on May 2 of strong first-quarter GDP growth, the market predicted that the Fed, which always adjusts the rate in quarter-point increments, would raise it as early as October. Good news on inflation this past week, however, led to a reassessment, and the market now sees less probability of an increase in the rate before November. A Macroeconomic Update in this issue of the Weekly Briefing discusses near-term prospects for the economy.

CONTENTS

MACROECONOMIC UPDATE

Inflation Subdued as Economy Gathers Momentum	1
---	---

CURRENT DEVELOPMENT

Income and GDP Paint Different Pictures of 1995 Growth	3
--	---

SPECIAL ANALYSIS

With Unemployment Low, Why Are Workers Still Anxious?	4
---	---

ARTICLE

Restrictions on Managed Care: Help or Hindrance?	6
--	---

DEPARTMENTS

Business, Consumer, and Regional Roundup	8
--	---

International Roundup	9
-----------------------------	---

Releases	10
----------------	----

U.S. Economic Statistics	11
--------------------------------	----

Financial and International Statistics	12
--	----

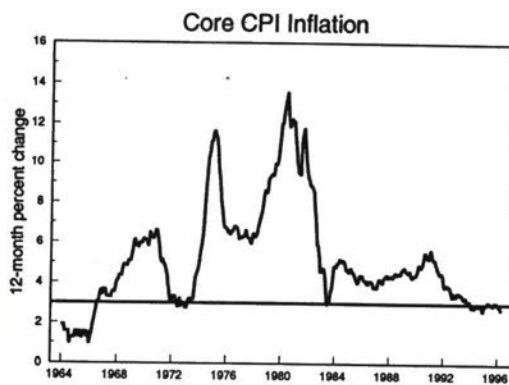


MACROECONOMIC UPDATE

Inflation Subdued as Economy Gathers Momentum

Large employment gains earlier this year coupled with the recent report that real GDP grew by a stronger-than-expected 2.8 percent in the first quarter had raised concern that the economy could overheat. Fear of inflation had driven the 30-year bond yield up more than a percentage point from its January low to over 7 percent by early May. Price data reported in the past week, however, showed an absence of underlying inflation pressures, and led the bond yield to retreat below 7 percent.

Core inflation is low and stable. The core rate of inflation—which omits volatile food and energy prices—has remained steady this year as the economy picked up steam. Core inflation has been at or below 3 percent for the past two and one-half years, the best record in



over three decades (see chart).

Although the recent jump in energy prices had caused some concern, it is expected to reverse later this year and to have little effect on inflation for the year as a whole. Even if the forecasts are wrong and energy prices stay high, as long as prices do not rise further they would have little continuing effect on the rate of inflation.

Looking forward. Growth in the second quarter is likely to match the solid pace of the first quarter, owing in part to a bounce-back in auto production following the strike at General Motors in March.

Factors strengthening the outlook include:

- Recent high readings for consumer confidence combined with hefty gains in disposable income should help sustain the robust first-quarter pace of consumer spending in the near term.
- Inventory accumulation slowed sharply during the first quarter, in large part due to the strike at GM which accelerated planned inventory reduction in the auto sector. With inventories now at more comfortable levels, firms likely will step up production over coming months.
- Orders for durable goods were strong in the first quarter, indicating that the first-quarter surge in business investment likely will continue over coming months.

Risks on the horizon include:

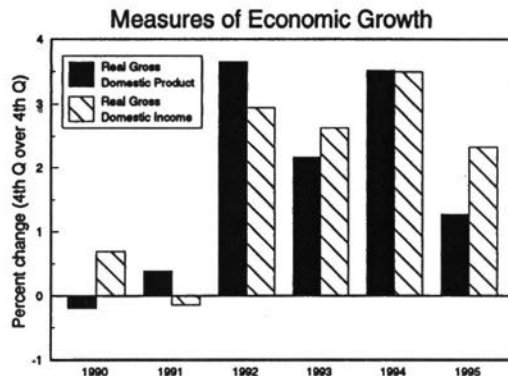
- Consumer debt levels have continued to rise, presenting the possibility that an increase in interest rates could swiftly dampen consumer spending.
- Despite recent gains in housing starts, higher mortgage rates may dampen the sales of new homes, with a deceleration in house construction likely later this year.
- Although exports may benefit from an expected pickup of growth in Japan, they may be restrained by slow growth in Europe.

CURRENT DEVELOPMENT

Income and GDP Paint Different Pictures of 1995 Growth

Gross domestic income (GDI) grew more rapidly than gross domestic product (GDP) during 1995, indicating that the economy probably expanded faster than generally believed. Because data on incomes and output are measured separately, the totals do not always agree, sometimes producing a substantial discrepancy.

Analysis. The size of the economy can be measured by adding up either all the output produced or all the income generated in producing that output. Except for a "statistical discrepancy," GDP, which measures total output, must equal GDI, which measures total income. During 1995, the economy grew at an anemic 1.3 percent pace as measured by real GDP, but at a moderate 2.3 percent rate as measured by real GDI (see chart). This difference reflects a swing in the statistical discrepancy of about \$75 billion, somewhat larger than in recent years.



*Reich
Tobin
would keep
of some*

1995 GDP likely to be revised up. When the data are revised, the statistical discrepancy often shrinks, with the estimates for GDP and GDI moving toward each other. The stable unemployment rate during 1995 seems more consistent with the relatively stronger growth of GDI. Thus, GDP in 1995 probably will be revised upward, showing that the economy grew a bit faster than current estimates suggest. ~~Income growth, however, is likely to be revised down a bit.~~ Unfortunately, budget cutbacks at the Bureau of Economic Analysis have forced cancellation of this summer's scheduled annual revision. The next annual revision is scheduled for July 1997.

SPECIAL ANALYSIS

With Unemployment Low, Why Are Workers Still Anxious?

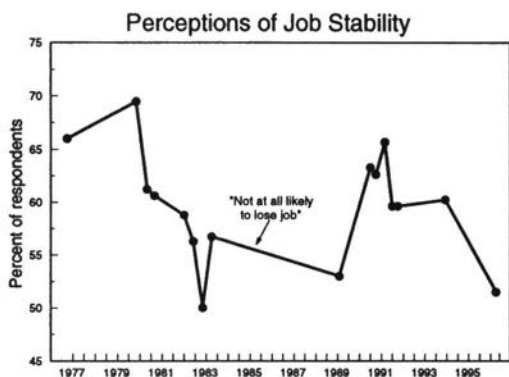
Despite several years of strong job creation and moderate economic growth, media reports, focus groups, and anecdotal evidence suggest that workers remain anxious about the future. While much of this anxiety probably has roots in the decades-long stagnation of wages and widening distribution of income, the view that anxiety has not waned as the economy has improved is somewhat puzzling. A careful look at survey evidence on worker sentiment, however, confirms that workers are anxious.

Do perceptions about job availability match the evidence? For many years, the Conference Board has surveyed consumers about the availability of jobs. The



pattern of consumer perceptions about job availability has closely matched the pattern of unemployment. When unemployment was high in 1981-83 and again in 1991-92, a larger proportion of respondents reported that "jobs were hard to get" (see top chart). Conversely, as unemployment fell after 1992, an increasing proportion of respondents reported that "jobs were plentiful." A second survey of consumer sentiment conducted by the

University of Michigan also shows that consumer perceptions about the job market are consistent with economic conditions.



But worries about job loss have risen.

Other surveys, however, show increasing concern about job loss in recent years despite improved economic conditions. For over two decades, the Gallup organization has been asking workers, "How likely is it that you will lose your job over the next 12 months?" Even though the rate of job loss has probably fallen since 1991 and unemployment is lower, fewer workers believe that it is "not at all likely" they

will lose their jobs (see bottom chart). In fact, the proportion of workers reporting that it is "not at all likely" they will lose their jobs is similar (at only about 50 percent) to the low reached during 1983 shortly after the unemployment rate peaked at nearly 11 percent during the worst recession since World War II. It is important to note, though, that the decline in share of respondents to the Gallup

poll saying it was "not at all likely" they would lose their job has been mirrored by an increase in the share saying it was "not too likely," with little change in the share saying it was "very or fairly likely." Accordingly, the poll suggests that more people are feeling a moderate, though not high, risk of job loss.

Reconciling perceptions of an improved economy with increased worry. These two impressions reported by consumers—recognition of generally strong job prospects, yet sagging confidence in their own job security—are not inconsistent. Evidence on displaced workers suggests that job displacement is more widely shared than in the past: older, white-collar, and more-educated workers now bear a risk of job loss that in the past was heavily concentrated among blue-collar workers (see Weekly Economic Briefing, February 23, 1996). Thus, more people—perhaps correctly—feel some moderate (but not overwhelming) risk of losing their job even though the overall rate of job loss in recent years probably has fallen.

ARTICLE

Restrictions on Managed Care: Help or Hindrance?

One of the most hotly disputed areas of health insurance reform concerns the oversight of managed care. In the past year, managed care reforms were introduced in over half of all state legislatures, though only a few states actually enacted any significant legislation. Given the increasing importance of managed care in our nation's health care system, pressures to regulate the managed care industry will grow. This Article considers the economics of "any willing provider" laws, which represent one of the more controversial restrictions on managed care.

"Any Willing Provider" Laws. Any willing provider (AWP) laws require managed care organizations to accept into their networks all providers who agree to the terms of the contract and who meet certain minimum standards. To date, 12 states have broad AWP or AWP-like laws. Another 13 states have AWP laws that apply only to pharmacies.

Effects on premiums. Many observers believe that AWP laws significantly reduce the ability of managed care organizations to hold down health insurance costs. Managed care organizations, by choosing which doctors belong to their network, can reduce costs in three main ways:

- **Insurers can contract with only the most efficient providers.** Practicing cost-effective medicine may be one of the best ways to hold down health insurance costs. Most AWP laws allow insurers to specify a broad set of criteria as minimum standards, so insurers could, in theory, specify standards that would ensure the practice of "cost-effective medicine." But writing down such standards is very difficult, and monitoring compliance with them is very costly.
- **Insurers can receive discounts in exchange for guaranteeing a large volume of patients to network providers.** Restricting the number of providers in a network ensures providers a large volume of patients and reduces patient turnover, lowering administrative and patient-search costs.
- **Large insurers may have enough market power to demand discounts from providers.** As more people enroll in managed care health plans, joining a managed care network becomes increasingly important for providers' practices. While this concentration of market power may lead to lower premiums, it may also involve a loss in efficiency as the number of providers is kept artificially low. Fear of being dropped from a network may also limit the investment providers make in developing physician-patient relationships.

5/28/96

Effect on consumer choice. Restricting the number of providers in a managed care network restricts patient choice. This can be particularly difficult for patients whose providers are dropped from a list of network providers: they either have to switch providers or pay substantially more out-of-pocket.

Effect on quality of care. The effect of AWP laws on quality of care is ambiguous. AWP laws may make it more difficult to exclude low-quality providers. On the other hand, some observers feel that managed care organizations often drop the higher quality providers who accept the most difficult cases because they are too costly, and reward those providers who are cheaper, rather than better.

Analysis. Over the past year, coalitions of insurers and employers have generally been successful at convincing state legislatures that restrictions on managed care could lead to increases in health insurance premiums. But, managed care is a growing and largely unregulated industry, and calls for increased regulation are likely to continue. While some degree of regulation may be warranted, it is very important that the "managed care revolution," which has successfully contained growth in health care costs, not be unduly restrained. The Administration recognized this in the proposed Health Security Act, which would have precluded states from enforcing AWP laws and required insurers to disclose what procedures were used to control utilization and costs.

It's not all
regulated. Must
offer some choice to
consumers.

5/28/96

cc: Bill
Mum**BUSINESS, CONSUMER, AND REGIONAL ROUNDUP**

Skill Deficiencies Among Job Applicants High but Falling. One third of job applicants tested by major U.S. companies in 1995 lacked sufficient reading or math skills to perform the jobs they sought, according to a survey by the American Management Association. While the one-third finding is distressing, the deficiency rate fell from 39 percent in 1994 and now stands at its lowest level since 1990. The survey also found that more companies test for math than for literacy skills. Deficiency rates varied widely by industrial category, with manufacturers reporting a whopping 46 percent of applicants were deficient but wholesalers and retailers reporting just 16 percent. The survey found that 43 percent of firms test job applicants for basic skills, a sharp increase over 33 percent in 1990.

Agriculture Department Releases Crop Forecasts. The Agriculture Department has released its first official forecasts of grain production and consumption for the 1996-97 crop year. The world coarse grain crop (mainly corn) is forecast to be the largest in history, while the world wheat crop is expected to be the second largest on record. Despite projections that global consumption will also reach a new record, crops of this size would allow world grain stocks to rise after 3 years of decline. World stocks, however, would still remain low by historical standards. U.S. supplies and stocks of wheat are expected to remain low in 1996-97 as the winter wheat crop is forecast to fall 12 percent below last year. Domestic wheat consumption is forecast to rise slightly, while wheat exports are forecast to fall 25 percent. U.S. corn production is forecast to rise 27 percent. The estimated increase in corn production is in part based on the expectation that many farmers will plant corn to replace their winter wheat crop which was damaged due to bad weather in the Midwest.

President's Economic Report Receives Favorable Review. The 1996 Economic Report of the President received a positive review in the latest issue of Challenge magazine, whose audience is economists concerned with public policy. The reviewer writes "fair-minded readers will recognize that the latest report contains a thorough, dispassionate, and professional statement of the Administration's economic views." The Report's emphasis on the role of deficit reduction as a means of raising overall living standards, rather than as an end in itself, was singled out for particular praise. The review also highlights the Report's defense of progressive taxation and its "indictment" of flat tax proposals. While the review did argue that policy responses to income inequality were accorded insufficient attention, it concludes with an affirmation of "the sincerity of the present Administration's economists" on the topic, emphasizing the Report's role in creating "a worthwhile hope that [inequality] could change."

5/28/96

Vietnam Set to Receive \$1.5 Billion in World Bank Loans. In a recent visit to Hanoi, World Bank President Wolfensohn praised Vietnam's progress toward a market economy and recommended that the Bank lend \$1.5 billion on concessionary terms to Vietnam over 1997-99, which would more than double its previous lending. President Wolfensohn focused on the challenges faced by Vietnam in addressing widespread poverty—Vietnam was the fifth poorest country in the world in 1993, with a per capita income of just \$170—while reducing a substantial foreign debt burden that equaled \$25 billion (160 percent of GDP) at the end of 1994. This week, Vietnam began talks with international bankers to restructure its commercial debt. The Vietnamese economy expanded at a rapid rate of over 9 percent last year, buoyed by strong exports and foreign investment, which has surged in recent years with approved foreign investment projects totalling \$6.2 billion by 1995.

Brazilian Reforms Continue With New Telecom Law. After receiving a cool reception from the United States on its telecom policies at the recent round of World Trade Organization (WTO) negotiations, Brazil's lower house of congress approved new laws this week that will liberalize its state-controlled telecommunications sector. Senate approval is expected. The first sectors to be opened will be cellular and satellite telecommunications, for which the government will be tendering concession offers later this year. The new law allows the government to limit foreign ownership of telecom firms to 49 percent for the first 3 years. Congress also approved the establishment of a regulatory agency to oversee the telecom sector. A comprehensive intellectual property law was signed by President Cardoso this week, bringing Brazil into conformity with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights.

Growth Projections Sharply Reduced for Europe. The European Commission recently announced a major downward revision in forecasts for European growth this year, from 2.6 percent to 1.5 percent. With the unemployment rate still in double digits, concerns remain that the additional budget cuts needed to meet the Maastricht criteria for monetary union may further increase joblessness. The European Commission is planning more talks with trade unions in order to garner support for these budget cuts. The Commission remains optimistic that by 1997, France and Germany, the two pillar economies of a future European Monetary Union, will meet the 3 percent deficit-to-GDP target set by the Maastricht Treaty. Although in 1995 only three member countries achieved the deficit target (Luxembourg, Ireland and Denmark), the EC expects seven countries to meet the target by the 1997 deadline.

RELEASES THIS WEEK

U.S. International Trade in Goods and Services

****Embargoed until 8:30 a.m., Friday, May 17, 1996****

The goods and services trade deficit rose to \$8.9 billion in March from \$7.0 billion in February.

Productivity

Nonfarm business productivity rose 2.6 percent at an annual rate in the first quarter of 1996. Manufacturing productivity increased 6.3 percent.

Housing Starts

Housing starts rose 6 percent in April to 1.52 million units at an annual rate. For the first four months of 1996, starts are up 16 percent over the same period a year ago.

Industrial Production and Capacity Utilization

The Federal Reserve's index of industrial production increased 0.9 percent in April, following a decline of 0.5 percent in March. Capacity utilization increased 0.5 percentage point, to 83.0 percent.

Retail Sales

Advance estimates show that retail sales decreased 0.3 percent in April following an increase of 0.5 percent in March. Excluding sales in the automotive group, retail sales increased 0.4 percent in April following an increase of 0.5 percent in March.

Consumer Price Index

The consumer price index increased 0.4 percent in April. Excluding food and energy, consumer prices increased 0.1 percent.

MAJOR RELEASES NEXT WEEK

Advance Durable Shipments and Orders (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1995	1995:3	1995:4	1996:1
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	1.3	3.6	0.5	2.8
GDP chain-type price index	5.3	2.6	2.2	2.2	2.5
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	0.7	1.7	-1.0	2.6
Real compensation per hour:					
Using CPI	0.6	1.3	2.2	0.4	0.0
Using NFB deflator	1.3	2.2	2.4	2.4	1.6
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.2	10.2	10.2	10.3
Residential investment	4.5	4.0	4.0	4.0	4.0
Exports	8.2	11.1	11.1	11.3	11.2
Imports	9.2	12.5	12.5	12.4	12.5
Personal saving	5.1	3.3	3.2	3.6	3.6
Federal surplus	-2.7	-2.2	-2.2	-2.1	N.A.
	1970- 1993	1995	Feb. 1996	March 1996	April 1996
Unemployment Rate	6.7**	5.6**	5.5	5.6	5.4
Payroll employment (thousands)					
increase per month			631	178	2
increase since Jan. 1993					8545
Inflation (percent per period)					
CPI	5.8	2.5	0.2	0.4	0.4
PPI-Finished goods	5.0	2.3	-0.2	0.5	0.4

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

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1994	1995	March 1996	April 1996	May 16, 1996
Dow-Jones Industrial Average	3794	4494	5612	5580	5635
Interest Rates					
3-month T-bill	4.25	5.49	4.96	4.95	5.01
10-year T-bond	7.09	6.57	6.27	6.51	6.70
Mortgage rate, 30-year fixed	8.35	7.95	7.62	7.93	8.08
Prime rate	7.15	8.83	8.25	8.25	8.25

INTERNATIONAL STATISTICS

Exchange Rates	Current level May 16, 1996	Percent Change from	
		Week ago	Year ago
Deutschemark-Dollar	1.535	+1.2	+6.9
Yen-Dollar	106.7	+1.8	+23.7
Multilateral \$ (Mar. 1973=100)	88.39	+0.9	+5.6

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	1.8 (Q1)	5.4 (Apr)	2.9 (Apr)
Canada	0.6 (Q4)	9.3 (Mar)	1.5 (Mar)
Japan	2.2 (Q4)	3.1 (Mar)	0.1 (Mar)
France	0.3 (Q4)	12.5 (Jan)	2.3 (Mar)
Germany	0.8 (Q4)	7.0 (Feb)	1.5 (Mar)
Italy	2.3 (Q4)	12.0 (Jan)	4.5 (Mar)
United Kingdom	1.9 (Q1)	8.3 (Mar)	2.7 (Mar)

THE PRESIDENT HAS SEEN

5/28/96

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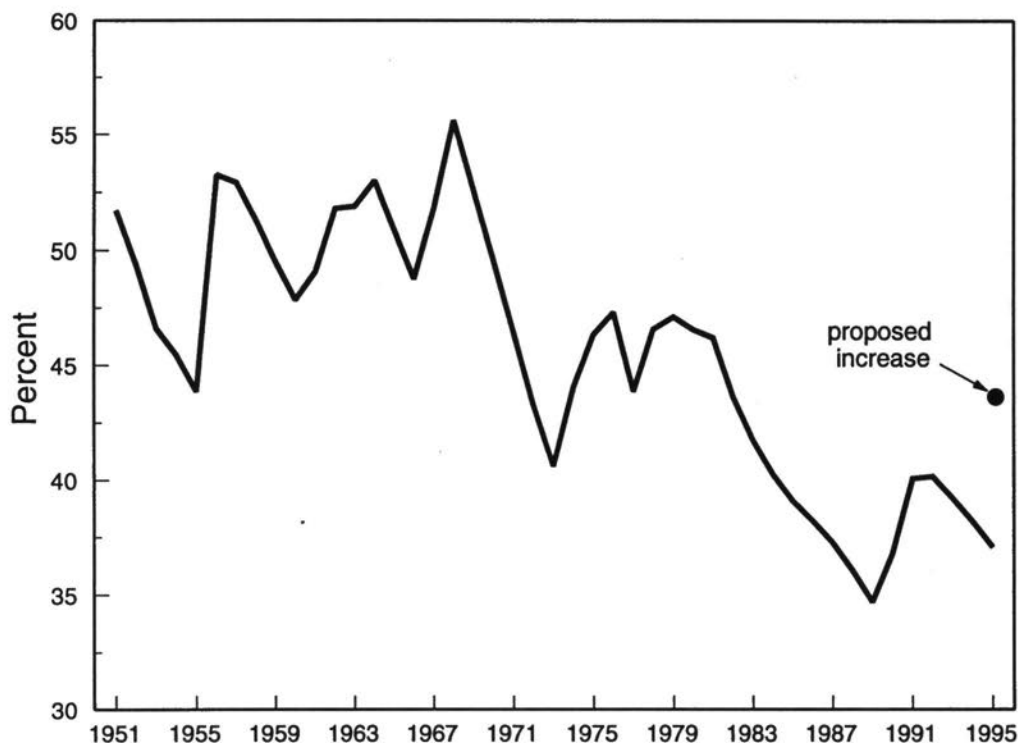
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

May 24, 1996

CHART OF THE WEEK

Minimum Wage as a Percent of Average Hourly Earnings



Because the minimum wage was unchanged during the 1980s, its value relative to the average hourly earnings of production workers declined sharply and reached a four-decade low of 35 percent in 1989. Although an increase during 1990-91 briefly pushed the minimum wage to 40 percent of hourly earnings, its relative value has eroded since 1992. The Administration's proposed increase from \$4.25 to \$5.15 per hour would raise the minimum wage to roughly 45 percent of current average hourly earnings. A Special Analysis in this issue of the Weekly Briefing assesses the effect on inflation of an increase in the minimum wage.

CONTENTS

SPECIAL ANALYSES

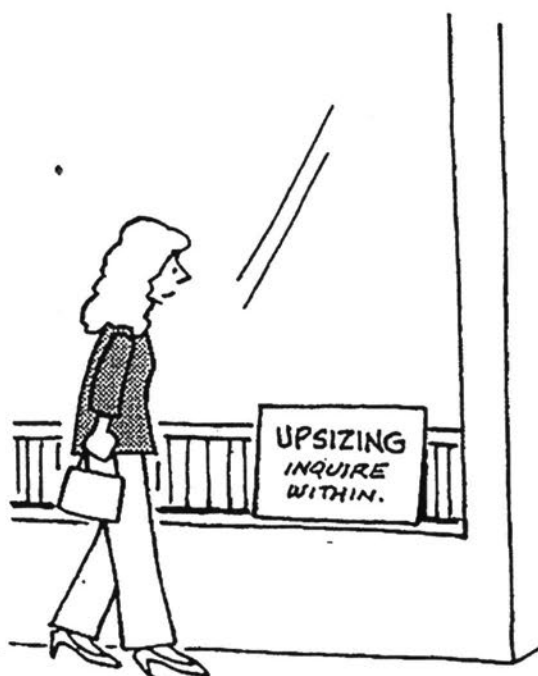
Minimum Wage Increase Should Have Small Effect on Inflation . .	1
Indexing Treasury Bonds May Lower Borrowing Costs	2

ARTICLE

What Does the Unemployment Rate Really Measure?	3
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DEPARTMENTS

Business, Consumer, and Regional Roundup	5
International Roundup	6
Releases	7
U.S. Economic Statistics	8
Financial and International Statistics	9



Jim Berry
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*unpublished
draft*

SPECIAL ANALYSIS

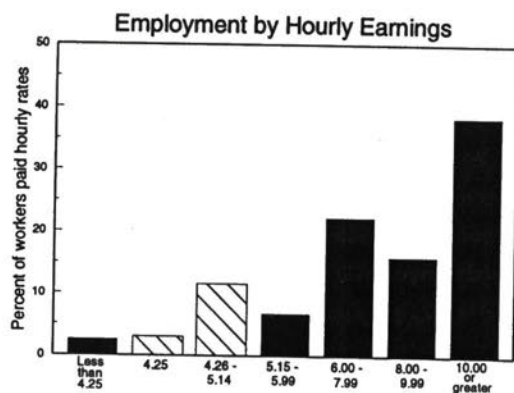
Minimum Wage Increase Should Have Small Effect on Inflation

The proposed 90-cent increase in the minimum wage would, if enacted, have a small but perceptible effect on the rate of price inflation. Economists disagree about whether a modest increase in the minimum wage would reduce employment, but they generally agree that such an increase would raise inflation a bit.

Analysis. The magnitude of the rise in inflation following an increase in the minimum wage depends on two factors:

- The size of the increase in labor costs.
- The amount of the increase in labor costs passed-through into prices rather than taken out of profits.

Effect on wages. We estimate that an increase in the minimum wage from \$4.25 to \$5.15 per hour would raise wage costs for the workforce as a whole by about 0.4 percent. The rise in wage costs occurs mainly because an increase in the



minimum wage directly affects most of the 14 percent of workers paid on an hourly basis who presently receive a wage between \$4.25 and \$5.14 (see chart). Workers exactly at the minimum would get a 90-cent raise, while workers above the current minimum would get a raise at least to \$5.15, and probably a bit more to maintain some premium. We assume these workers get half of the premium they currently earn and that this

“ripple” effect also occurs for workers making up to \$6 per hour. Workers making less than the current minimum and not covered by the law likely would get no increase.

Effect on prices. The increase in labor costs of 0.4 percent likely would exceed the increase in prices because labor costs represent roughly two-thirds of total production costs. Thus, a 90-cent increase in the minimum wage would raise prices by about 0.25 percent. If, as likely, the increase occurs in two installments, 50 cents this year and 40 cents next year, the increase in inflation each year would be about half of the full effect, roughly 0.125 percentage point. To the extent that firms do not raise prices as much—either because they accept a reduction in their profits or because productivity of their workers increases—the inflation increase would be smaller. Most importantly, the effect of a minimum-wage increase on inflation is only temporary since it is a one-time increase in wage costs.

5/28/96

SPECIAL ANALYSIS**Indexing Treasury Bonds May Lower Borrowing Costs**

 The Treasury Department recently announced plans to issue "inflation-protection" bonds that will have their returns linked to inflation. These bonds would allow people who are saving for a specific goal—such as their retirement or their children's education—to maintain the purchasing power of their savings. Because no U.S. investment presently meets this need, the new securities will fill an important void in U.S. financial markets. Besides protecting investors from inflation, these bonds may also benefit the Treasury by lowering its borrowing costs.

Analysis. When investors purchase bonds, they require that the return include compensation both for expected inflation over the bond's lifetime and the risk that actual inflation may exceed what was expected—an "inflation risk premium." An inflation-protection bond has its return periodically adjusted for price changes, thereby eliminating the risk that investors will lose money if actual inflation exceeds the rate expected. As a result, these bonds need not pay an "inflation premium" to attract investors, thereby lowering Treasury borrowing costs compared to conventional bonds.

Estimates of the "inflation premium" vary widely, but much evidence suggests a premium in the range of 0.5 to 0.75 percentage point, depending on the maturity of the bond and variability of inflation. Because Treasury borrows on such a large scale, a small reduction in the returns paid to investors translates into significant taxpayer savings in interest payments on the debt even if only a portion of Treasury securities are indexed for inflation. For example, if Treasury could eventually replace just half of its roughly \$400 billion of 10 to 30-year debt with inflation-protection securities paying 0.5 percentage point less than conventional securities, the savings would amount to \$1 billion a year. In this case, the total of such securities would be roughly 7 percent of the currently outstanding public debt, below the 15-percent level that has been reached in the United Kingdom where inflation-protection bonds have been issued since 1981.

Market may take a while to develop. Evidence from other countries suggests that it takes time for an inflation-protection bond market to develop, so the size of Treasury offerings initially will be limited by investor enthusiasm for the product, and may reduce savings if investors demand a premium to hold such relatively "illiquid" bonds. Recognizing this, the Treasury will start with small initial auctions generating comparatively small savings. Auctions may begin later this year, with a first-year offering possibly in the range of \$2 to \$4 billion. Assuming a 0.5 percentage point reduction in the interest cost compared to conventional securities, an offering of this size would entail savings of about \$10 to \$20 million per year over the life of the bonds.

an idea if they sell well in a good economy - should market

ARTICLE

What Does the Unemployment Rate Really Measure?

The unemployment rate recently dropped to 5.4 percent. While this is clearly very good news, some observers argue that the official unemployment rate understates the unemployment problem, because it omits many people who would like to work more but are not counted in the official definition of unemployment.

The official unemployment rate. The official measure of unemployment includes only those who have no job, are available for work, and have actively sought work in the past 4 weeks. Those who are not employed and who have not sought work in the past 4 weeks are considered to be out of the labor force. Last month, 7.3 million people were officially classified as unemployed.

Alternative measures of unemployment. The Bureau of Labor Statistics (BLS) publishes a number of alternative measures of unemployment and underemployment. The broadest one now includes two other groups of workers:

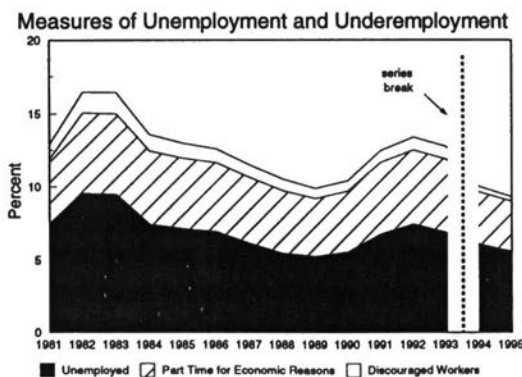
Marginally attached workers are persons who want a job, are explicitly available for work, and have looked for work sometime in the prior year, but are not currently looking. This category includes discouraged workers—those who are not currently seeking work because they believe they would not be successful. Last month, 1.5 million people were classified as being marginally attached workers.

Persons employed parttime for economic reasons are workers who have to settle for part-time work because of cut-backs in hours or because they cannot find full-time jobs. These workers can be viewed as underemployed. Last month, 4.3 million workers were classified in this category.

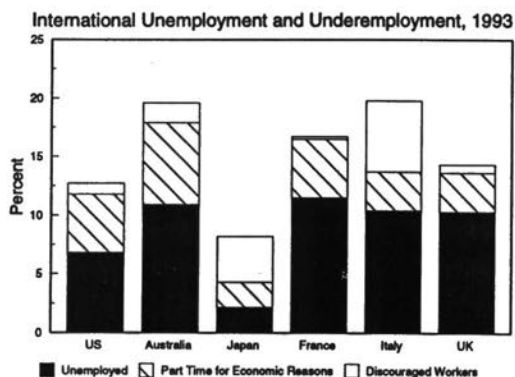
Analysis. The “best” measure of unemployment will depend on what question is being asked. The official unemployment rate clearly omits some people who would work if they could find a job, and does not include those who are underemployed. On the other hand, some people who are classified as unemployed may not have a strong attachment to the labor force. For example,

those who report that they asked a friend about job opportunities, but made no other efforts to find work, could be counted as seeking a job and classified as unemployed.

Changes over time. Regardless of the “best” measure of unemployment, the various measures generally have moved together (see chart). For example, the



relationship between the official unemployment rate and a measure of labor underutilization that also includes discouraged workers and people working parttime for economic reasons has been very stable over time (except for a break in 1994 that resulted from a revision in the employment survey that changed the definition of discouraged worker).



International Comparisons. To the extent that the official unemployment rate in the United States understates the magnitude of unemployment, the same is true in other countries. Even using a broad measure of labor underutilization, the United States still had a lower rate of labor underutilization in 1993 than most other industrialized countries (see chart). The U.S. rate likely is even lower today relative to these countries

because economic growth since 1993 has been stronger here than in Europe or Japan.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Tomato Price Increase Leads Rise in Food Prices. A sharp increase in the price of tomatoes accounted for nearly 10 percent of the overall rise in the consumer price index during March and April. This compares with a contribution from higher retail prices of grain products of less than 1 percent and a contribution from higher energy prices of about 40 percent. The retail price of tomatoes was 64 percent higher in April than in February following a winter cold snap and heavy March rains that reduced supplies of Florida tomatoes. Prices during the spring season typically are volatile because the major source of supply shifts from Mexico to Florida at that time of year. The poor weather interrupted supplies from Florida, causing the price to increase.

Cities Face Teacher Shortage. Urban classrooms across the country are suffering from a lack of certified teachers, forcing them to hire thousands of non-certified teachers. The findings come from a study released this week by the Council of Great City Schools, which surveyed 39 of the nation's largest urban public school systems. The problem has become quite urgent in the last few years, as urban schools have seen an increase in enrollments—particularly among children whose first language is not English—and have had difficulty recruiting new teachers to replace the aging corps. The need is greatest for teachers in special education, math, science, and bilingual education. More than three-quarters of the schools report that they are filling the void in the short run by hiring non-certified teachers, usually under emergency or provisional licenses or as long-term substitutes.

Census Bureau Paints Picture of Boomers in Their Golden Years. A recently released report from the Census Bureau details the changes in the characteristics of the elderly population likely to occur when the first baby-boomers reach retirement age. Just as they have been redefining norms since childhood, the boomers are expected to remake the golden years. They are well-educated, which correlates with better health in later life. More women will have been in the labor force long enough to have built up their own retirement savings, which is expected to improve living standards and reduce the poverty rate among elderly women. But, since the boomers have divorced more and had fewer children, they will be more likely to be residing alone and less likely to have family caregivers, two key factors that often help keep many elderly out of nursing homes.

5/28/96

INTERNATIONAL ROUNDUP

Private Capital Flows to Emerging Economies Remain Strong. According to the Institute of International Finance, the world's 31 major emerging economies will attract \$200 billion in net private capital flows this year, roughly the same as last year. The composition of these flows, however, will change considerably, with commercial bank lending falling to 25 percent from more than 40 percent last year, bond finance rising from 11 to over 20 percent, and equity investment increasing its share slightly to over 50 percent. Bond finance is expected to return to its 1994 level of about \$44 billion this year after falling to \$23 billion in 1995 when the bond market worldwide was adversely affected by the Mexican crisis. The spread between interest rates on bonds issued by emerging economies and those issued by industrial economies is expected to fall as confidence in emerging markets continues to strengthen. Although private lending is projected to be unchanged, a drop in official lending this year should result in a 12 percent reduction in overall external financing for these economies.

Large Increase in Energy Demand Predicted for Developing Economies. A recent DRI/McGraw-Hill report predicts a strong increase over the next two decades in developing countries' demand for energy. The developing country share of world primary energy demand will rise from 45 percent last year to 56 percent in 2015. China's energy market, equivalent to 40 percent of the U.S. market today, will grow to represent 70 percent of the U.S. market over the next 20 years. Total Asian energy demand will be more than 50 percent higher than North American demand by 2015. Global oil demand is projected to rise from 66 million barrels per day in 1995 to 100 million barrels per day in 2015, with OPEC expected to meet 75 percent of the new demand and a strong recovery in exports of the former Soviet Union expected to fuel Western Europe. Demand for natural gas also is expected to rise rapidly. While natural gas will displace coal in more advanced developing economies, growing energy demand in less advanced economies should maintain coal's worldwide market share.

Handwritten: Turkey

RELEASES THIS WEEK

Advance Durable Orders

****Embargoed until 8:30 a.m., Friday, May 24, 1996****

Advance estimates show that new orders for durable goods decreased 1.9 percent in April, following an increase of 2.6 percent in March.

MAJOR RELEASES NEXT WEEK

Consumer Confidence—Conference Board (Tuesday)

Gross Domestic Product (Thursday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1995	1995:3	1995:4	1996:1
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	1.3	3.6	0.5	2.8
GDP chain-type price index	5.3	2.6	2.2	2.2	2.5
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	0.7	1.7	-1.0	2.6
Real compensation per hour:					
Using CPI	0.6	1.3	2.2	0.4	0.0
Using NFB deflator	1.3	2.2	2.4	2.4	1.6
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.2	10.2	10.2	10.3
Residential investment	4.5	4.0	4.0	4.0	4.0
Exports	8.2	11.1	11.1	11.3	11.2
Imports	9.2	12.5	12.5	12.4	12.5
Personal saving	5.1	3.3	3.2	3.6	3.6
Federal surplus	-2.7	-2.2	-2.2	-2.1	N.A.
	1970- 1993	1995	Feb. 1996	March 1996	April 1996
Unemployment Rate	6.7**	5.6**	5.5	5.6	5.4
Payroll employment (thousands)					
increase per month			631	178	2
increase since Jan. 1993					8545
Inflation (percent per period)					
CPI	5.8	2.5	0.2	0.4	0.4
PPI-Finished goods	5.0	2.3	-0.2	0.5	0.4

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

FINANCIAL STATISTICS

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Dow-Jones Industrial Average	3794	4494	5612	5580	5762
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3-month T-bill	4.25	5.49	4.96	4.95	5.04
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5/28/96

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cc: Dan
Mum

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Skill Deficiencies Among Job Applicants High but Falling. One third of job applicants tested by major U.S. companies in 1995 lacked sufficient reading or math skills to perform the jobs they sought, according to a survey by the American Management Association. While the one-third finding is distressing, the deficiency rate fell from 39 percent in 1994 and now stands at its lowest level since 1990. The survey also found that more companies test for math than for literacy skills. Deficiency rates varied widely by industrial category, with manufacturers reporting a whopping 46 percent of applicants were deficient but wholesalers and retailers reporting just 16 percent. The survey found that 43 percent of firms test job applicants for basic skills, a sharp increase over 33 percent in 1990.

Agriculture Department Releases Crop Forecasts. The Agriculture Department has released its first official forecasts of grain production and consumption for the 1996-97 crop year. The world coarse grain crop (mainly corn) is forecast to be the largest in history, while the world wheat crop is expected to be the second largest on record. Despite projections that global consumption will also reach a new record, crops of this size would allow world grain stocks to rise after 3 years of decline. World stocks, however, would still remain low by historical standards. U.S. supplies and stocks of wheat are expected to remain low in 1996-97 as the winter wheat crop is forecast to fall 12 percent below last year. Domestic wheat consumption is forecast to rise slightly, while wheat exports are forecast to fall 25 percent. U.S. corn production is forecast to rise 27 percent. The estimated increase in corn production is in part based on the expectation that many farmers will plant corn to replace their winter wheat crop which was damaged due to bad weather in the Midwest.

President's Economic Report Receives Favorable Review. The 1996 Economic Report of the President received a positive review in the latest issue of Challenge magazine, whose audience is economists concerned with public policy. The reviewer writes "fair-minded readers will recognize that the latest report contains a thorough, dispassionate, and professional statement of the Administration's economic views." The Report's emphasis on the role of deficit reduction as a means of raising overall living standards, rather than as an end in itself, was singled out for particular praise. The review also highlights the Report's defense of progressive taxation and its "indictment" of flat tax proposals. While the review did argue that policy responses to income inequality were accorded insufficient attention, it concludes with an affirmation of "the sincerity of the present Administration's economists" on the topic, emphasizing the Report's role in creating "a worthwhile hope that [inequality] could change."

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THE WHITE HOUSE
WASHINGTON

96 MAY 24 P 8 : 39

May 24, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: Summary of Cabinet Weekly Reports
May 17 - May 24

DEPARTMENT OF TREASURY

- **Pastors for Peace:** Customs released 21 computers that originated in Canada to a church in Otay Mesa, CA for shipment to Cuba via Mexico. A Canadian man of the Pastors for Peace group quit his hunger strike. Treasury officials continue to attempt to find resolution to the situation with the three remaining hunger strikers.
- **Historically Black Colleges and Universities (HBCU) Capital Financing Program:** As part of the 1992 re-authorization of the Higher Education Act of 1965, the Secretary of Education received authority to guarantee up to \$375 million of taxable bonds issued under the HBCU Capital Financing Program. Treasury staff have worked closely with Department of Education officials over the last two years to create a viable low-cost financing program. The first HBCU financing, a \$4.5 million loan to West Virginia State, has been completed. The transaction is expected to close May 31. Treasury staff expects the second financing, a \$10 million refinancing for Tuskegee Institute, to occur in mid-June.
- **The Bankers Roundtable (BRT):** BRT has offered qualified support to House Banking Committee Chairman Leach's bill to repeal the Glass-Steagall Act and reduce regulatory burdens on banks. In a letter dated May 22, the BRT expressed its willingness to support House consideration of Leach's bill if it is modified so as not to restrict the Comptroller of the Currency's authority to expand the insurance powers of national banks; and so that companies that own FDIC-insured banks can also own uninsured wholesale banks. The BRT also insisted that any bill ultimately enacted permit banks and insurance companies to affiliate regardless of state laws prohibiting such affiliations. Chairman Leach is characterizing the BRT's letter as a major breakthrough, and asking to have the full House consider his bill next week or in early June. It remains to be seen whether the House leadership will bring the bill to a vote on the floor.

5/28/96

- **White House Security:** On May 20, Secret Service Director Bowron briefed Senator Grams on White House security issues regarding the closure of Pennsylvania Avenue. Senator Grams is the sponsor of a resolution calling for the reopening of Pennsylvania Avenue to vehicular traffic.
- **Secretary's Schedule:** On May 29, he will deliver the Keynote Address at the Bedford Stuyvesant Restoration Corporation Dinner. On May 30, he will meet with Chairman Greenspan. On May 31, he will attend the T1/T2 Meeting and meet with Kweisi Mfume, President of the NAACP.

DEPARTMENT OF COMMERCE

- **Economic Indicators:**

Advance Report on Manufacturers' Shipments, Inventories and Orders	May 24
Gross Domestic Product and Corporate Profits	May 30
New One-Family Houses Sold and For Sale	May 30
Personal Income and Outlays	May 31
- **Ship Launch:** On May 30, in Moss Point, MI, Halter Marine Incorporated, will launch NOAA's future oceanographic research ship. This is the first new ship built for NOAA since the CHAPMAN, which was delivered in 1980. Mrs. Alma Brown will participate in the launching ceremony.
- **Secretary's Schedule:** On May 23, Secretary Kantor traveled to Charlotte and Raleigh, NC, and announced a foreign trade zone and an EDA grant and open a U.S. Export Assistance Center. While in Raleigh, Secretary Kantor also made a \$3 million grant award to Governor Hunt and Congresswoman Clayton, for the North Carolina Global Transpark Authority, a multi-modal transportation and industrial facility.

DEPARTMENT OF LABOR

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- **Fair Labor Standards Act Court Action:** On May 7, the U. S. Court of Appeals for the Fourth Circuit entered a favorable decision in Reich v. Shiloh True Light Church of Christ d/b/a Shiloh Vocational Training Program, et al. The Secretary brought action against the church-operated vocational training program, the church's pastor and the program's administrator, alleging violations of the Fair Labor Standards Act minimum wage, record keeping and child labor provisions. The vocational program used the unpaid labor of children under the age of 16, some as young as 11-years-old, in residential construction work, in violation of the Act and its child labor regulations. The appellate court affirmed a previous district court in all respects, finding that the children were employees and working in violation of the child labor provisions.
 - **Kaiser Permanente:** As part of its continuing effort to secure fair contracts with Kaiser Permanente, the Service Employees International Union notified the company that it would stage a one-day strike and picket on May 30. The strike will affect more than 150 Kaiser clinics in California and would be limited to out-patient facilities

5/28/96

which a Kaiser spokesman stated would remain open. Some 14,000 Kaiser employees in northern California have been working without a contract since last October, while another 10,000 in the southern part of the state have been without a contract since the end of March.

- **Yale University:** As Commencement day approaches, the stalemate continues between negotiators for Yale and Locals 34 and 35 of the Hotel Employees and Restaurant Employees International Union. Meanwhile, plans are in place for a rally and demonstration on the New Haven Green to coincide with the University's commencement ceremonies. AFL-CIO Secretary-Treasurer Rich Trumka and the Reverend Jesse Jackson will be among the featured speakers at this demonstration.
- **McDonnell Douglas:** On May 19, workers represented by the IAM at the McDonnell Douglas Aerospace Corporation in the St. Louis area voted to authorize a strike. The union failed to receive a contract proposal prior to the old contract's expiration. Talks resumed the following day at which time the union submitted the seven-day notice required to proceed a strike. The notice gives the union the option to strike in seven days. Negotiations to replace the contract, covering nearly 7,000 workers, began in mid-March.
- **Detroit Newspapers:** On May 20, representatives of Teamsters Local 372 and the Detroit Newspaper Agency met for seven hours during which they reviewed various proposals to replace an expired contract. The contract expired last July. No progress was reported.
- **Mine Safety and Health Administration:** The House of Representatives approved a budget for FY 97 that would eliminate the Mine Safety and Health Administration and transfer its responsibilities to the Occupational Safety and Health Administration. The combined budgets would be reduced by 18 percent (\$90 million).
- **Summer Jobs:** On May 24, the Secretary taped a radio actuality regarding the Summer Youth Employment Program to encourage enrollment in the program. On May 30, the Secretary will kick-off the Summer Youth Employment Program.
- **Teen Safety:** On May 29, the Secretary will hold a press conference to release a report on injuries to teenage workers. In anticipation of a number of youth workers entering the summer workforce, he will also release guidelines for employers to follow when employing teenage workers.
- **Parade:** On May 20, Secretary Reich was interviewed by a reporter with *Parade* magazine for the publication's annual cover story, "What People Earn."

DEPARTMENT OF TRANSPORTATION

Exemption Tentatively Approved: On May 21, Secretary Peña announced a tentative decision to grant Delta Air Lines, Austrian Airlines, the Belgian carrier Sabena and Swissair authority to establish a network of new pro-competitive and pro-consumer worldwide aviation services. DOT, in a show cause order, asked for public comment on the tentative decision by May 28, after which it will reach a final decision.

Japan: U.S. and Japanese aviation officials are scheduled to meet June 3-4, in Tokyo for informal talks aimed at resolving outstanding passenger issues.

Colombia: DOT drafted an order approving ~~American Airlines~~ complaint against Colombia. Colombia has refused to license them for New York-Bogota and beyond services despite a bilateral obligation to do so. The draft order defers on sanctions at this time in the hope that a timely and satisfactory diplomatic resolution can be achieved.

Security Assessment: After visiting the Jakarta Airport, the FAA security team reports that the security deficiencies could be remedied there without undue effort or expenditure. The Indonesian authorities have been informed of actions needed to ensure a successful assessment.

Digital Flight Data Recorders: On May 16, the DOT approved and sent to OMB for clearance a Notice of Proposed Rulemaking (NPRM) that would increase the amount of data required to be collected by an airliner's "black box." The proposed rule would affect both new airplanes and most existing airplanes designed to carry 30 or more passengers. This rulemaking was requested by the NTSB and is intended to increase the amount of information available to aircraft accident investigators.

ValuJet Accident: On May 12, in a letter to FAA Administrator Hinson, Senator Pressler criticized him for not sharing with him an internal FAA document comparing the relative safety records of low-cost airlines with major airlines. On May 20, in a separate letter to the Administrator, the Senator called into question a 1993 decision against implementing a proposal by the National Transportation Safety Board to require fire and smoke detection systems in cargo compartments to insure that flight crews know about fires in those areas. Administrator Hinson has spoken to Senator Pressler regarding this letter and assured the Senator that we will respond.

UNITED STATES TRADE REPRESENTATIVE

EU Beef Hormones: On May 20, a WTO dispute settlement panel was established to examine USTR's complaint against the European Union for prohibiting imports of meat produced from animals that are treated with growth hormones. The beef industry is strongly supportive of this action.

DEPARTMENT OF TRANSPORTATION

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• **Exemption Tentatively Approved:** On May 21, Secretary Peña announced a tentative decision to grant Delta Air Lines, Austrian Airlines, the Belgian carrier Sabena and Swissair authority to establish a network of new pro-competitive and pro-consumer worldwide aviation services. DOT, in a show cause order, asked for public comment on the tentative decision by May 28, after which it will reach a final decision.

• **Japan:** U.S. and Japanese aviation officials are scheduled to meet June 3-4, in Tokyo for informal talks aimed at resolving outstanding passenger issues.

Good

• **Colombia:** DOT drafted an order approving American Airlines complaint against Colombia. Colombia has refused to license them for New York-Bogota and beyond services despite a bilateral obligation to do so. The draft order defers on sanctions at this time in the hope that a timely and satisfactory diplomatic resolution can be achieved.

✓

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cc: (chey) Smith

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5/28/96

Florida Immigration Initiative: On May 29, Attorney General Reno, INS Commissioner Meissner and Florida Governor Chiles will hold a press briefing at INS Headquarters to highlight specific programs within the Florida Immigration Initiative.

Border Enforcement Announcement Planned in San Diego: On May 30, a press briefing will be held at the border to announce the latest updates to the Border Enforcement Plan, including results of deploying additional resources along the Southern California border to deal with the seasonable surge in illegal immigration during the January - April period.

Violent Crime Strategy: This week, the Department of Justice will submit a five-year strategy for combatting violent crime to the House Appropriations Subcommittee.

Senate Judiciary Committee to Hold Hearing on Child Pornography Prevention: On June 4, The Senate Judiciary Committee has scheduled a hearing focusing on legislation by Senator Hatch aimed at preventing child pornography.

Attorney General's Travel: On May 31, the Attorney General will address the National Conference on Preventing Crime in the Black Community in Orlando. On June 4, she will address Minnesota Women Lawyers in Minneapolis. On June 6, she will address the Health Care Fraud Conference in Boston.

Press Inquiries: *USA Today* is working on a piece on domestic violence. New Jersey PBS is working on a piece on violence against women. *Mirabella Magazine* is working on a piece on the First Lady.

FOIA Requests: The FBI received a request from lawyers for Sister Diana Ortiz, the American nun who was kidnapped and tortured in Guatemala, for records regarding her abduction, any investigation about that abduction, and whether any American citizens were present during her abduction. Her request has been approved for expedited processing under the government accountability exception. The Criminal Division received a request for records on Patsy Thomasson as well as information about Dan Lasater.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Medicare Expenditures Continue to Grow Faster Than Private Health Expenditures: Data from the 1994 national health accounts show the slowest growth in overall health spending in more than three decades. The data also show a difference in growth of expenditures between the two largest health care insurers--private health insurance and Medicare. Despite comparable growth in spending for benefits between 1969 and 1993 by these two major payers, figures for 1994 show spending increasing 11.8% for Medicare, but only 4.0% for private health insurance. While benefit growth rates in 1994 diverge, certain factors--including enrollment growth, differences in benefit coverage, and government regulatory and

5/28/96

policy effects--tended to exaggerate the growth rate of Medicare benefits. When adjustments for these factors are taken into account, the gap between the Medicare and private health insurance spending narrows considerably, to 5.6% per enrollee for Medicare and 3.6% per enrollee for private health insurance.

Welfare Proposal for Utah: Utah's proposal, which would amend the current Single Parent Employment Demonstration (SPED), is in the final stage of Departmental review and may be approved in the next few weeks. These amendments would require preschool children to be immunized and other children to attend school. These provisions would initially be limited to one site and later expanded to other SPED sites.

- **LA County:** On May 21, HHS representatives met with representatives from LA County and the State of CA in Washington, D.C. to discuss the next phase of the county's Section 1115 demonstration project. The meeting was very productive. All parties agreed on a process to develop a comprehensive restructuring plan for the county's health care system and made good progress toward agreeing on modified terms for the second year of the waiver.
- **Medicare Trustees' Report To Be Released:** On June 5, the Annual Report of the Board of Trustees for the Hospital Insurance Trust Fund and the Supplementary Medical Insurance Trust Fund will be released.
- **New Treatment for Pancreatic Cancer:** On May 15, FDA approved Eli Lilly and Co.'s Gemzar, for treatment of patients with inoperable pancreatic cancer. Pancreatic cancer affects about 27,000 people each year.
- **Budget Cuts:** This week, the Administration for Children and Families' Family and Youth Services Bureau notified 191 grantees that, due to budget cuts by Congress, there are no resources to provide continuation funding for their programs. These grantees are recipients of funds through the Youth Gang Drug Prevention Program, the Community Schools Program and the Drug Abuse Prevention Program for Runaway and Homeless Youth.
- **Alabama Disproportionate Hospital Payment Update:** On May 16, HCFA staff and HHS counsel met with officials from AL to discuss options for resolving the State's funding problems caused by inappropriate DSH payments, which may involve illegal provider donations.
- **Baltimore Area to Test Medicare Managed Care Competitive Pricing:** Baltimore will be the first metropolitan area to test a new competitive pricing process for setting Medicare's payment rates to managed care plans that serve Medicare beneficiaries. Through the demonstration, plans will submit bids for providing Medicare benefits and HCFA will use the bids to set the Medicare payment rates to the plans. All plans that want to continue to serve Medicare beneficiaries in the Baltimore area must participate

5/28/96

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5-28-96

- **USDA To Release U.S. Export Report:** On May 30, the Economic Research Service will release *Outlook for U.S. Agricultural Exports*, which will update the export and import forecast for FY 96. High grain prices and strong demand for U.S. meat and poultry will likely result in an upward revision in the export forecast.
- **Pacific Northwest Economic Adjustment Initiative:** California national forests will receive nearly \$2 million as part of your Pacific Northwest Economic Adjustment Initiative. The funds will be disbursed in varying amounts to the following national forests: Klamath, Lassen, Mendocino, Shasta-Trinity, and Six Rivers. These funds are to be used for grants for rural community assistance projects.
- **Forest Health:** On May 22, the Senate Energy and Natural Resources Committee marked up a bill introduced by Senator Craig aimed at improving forest health. The Administration does not support the legislation. Although Senator Craig has reportedly been meeting with Committee Democrats to craft an alternative bill that could receive bipartisan support, it does not appear that those negotiations have been successful.
- **Pacific Rim:** On June 5, the House Agriculture Committee will hold a hearing on trade opportunities in the Pacific Rim. Secretary Glickman is scheduled to testify.
- **Secretary's Schedule:** On June 7, Secretary Glickman will travel to IL to give the Chicago High School for Agricultural Sciences commencement address. On June 8, he will travel to Little Rock, AR to address the Farm Foundation. On June 10, he will address Second Harvest in Chicago, IL. On June 13, he will participate in the first Food Recovery Leadership Summit in Pittsburgh, PA.
- **Press Inquiry:** *Wall Street Journal* is working on a story to be released this week regarding the shortage of food safety inspectors.

DEPARTMENT OF ENERGY

- **Possible Electricity Supply Problems in New England:** Due to the shutdown of several nuclear power plants in CT and NY, Northeast Utilities, Inc. has officially informed the Federal Energy Regulatory Commission (FERC) that the New England region may face electricity shortages this summer. Senators Dodd and Lieberman have written a joint letter to Secretary O'Leary and FERC Chair Moler requesting their assistance in developing a "unified Federal-State plan of action." DOE staff are working with their counterparts at the FERC and staff from the Senators' offices to gather information and decide on next steps. Due to the severe heat wave hitting the east coast, there has been a spike in demand for electricity that is stressing the already weakened generation and supply system of New England, CT and NY.

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5/28/96

- Gasoline Prices:** On May 22, DOE accepted three bids for Strategic Petroleum Reserve (SPR) crude oil. The three bids are for a total quantity of 1,075,000 barrels. There will be another round of "best and final" offers on May 23. DOE will evaluate bids until \$227 million of SPR oil (approximately 11-12 million barrels) have been sold. Motor gasoline prices may have stabilized after their sharp rise this spring and, as supplies increase, may drop within the next few weeks. The American Automobile Association predicts a record 30.4 million travelers using motor vehicles and airplanes over Memorial Day and the entire summer.
- Nuclear Non-Proliferation:** Consistent with the nuclear non-proliferation policy and in conjunction with the Department of State, DOE decided to accept up to approximately 22,700 elements of spent fuel from foreign research reactors over the next 13 years. The decision has been met with opposition from SC Governor Beasley and CA Governor Wilson. The plan to receive the shipments calls for the spent nuclear fuel to be transported through both States and stored at DOE facilities in South Carolina and Idaho. Governor Beasley has requested the SC Attorney General to file suit against DOE to stop the fuel shipments.
- CA Work Force Restructuring:** On June 3, the Lawrence Livermore National Laboratory in CA intends to release the results of an extensive examination on steps to improve efficiency. It is anticipated that the examination will identify a need for work force restructuring at the Laboratory involving up to 600 positions. The Laboratory has proposed a voluntary separation incentive program over the summer and fall, with a reassessment of any future requirements anticipated at the start of next year.
- Olympic Security Concerns:** GA Governor Miller is expected to contact the White House about temporarily removing capsules of the radioactive isotope cesium currently stored at Georgia Tech University and used for research purposes. Miller wants the capsules transferred to DOE's Savannah River Site in SC during the Summer Olympics.
- Chattanooga Summit:** On May 30, Secretary O'Leary will join more than 1,000 regional, national, and international business and government leaders at the Chattanooga Summit. The Summit is intended to showcase efforts in East Tennessee to create jobs by focusing on manufacturing, the environment, research and strategic conferencing.
- Solar Power Dedication:** On June 5, in Barstow, CA, Secretary O'Leary will dedicate a three-year solar energy demonstration project that will generate enough electricity for 10,000 homes. Part of a public/private partnership, DOE's Sandia National Laboratory conducted research and development on the project that will be operated by Southern California Edison. The event will increase awareness of DOE-supported renewable energy programs that can reduce traditional energy use, improve the environment, and create jobs.

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

THE PRESIDENT HAS SEEN

5/28/96

May 23, 1996

96 MAY 24 P7:55

MEMORANDUM TO THE PRESIDENT

FROM: KATHLEEN A. MCGINTY *PMH/Under for*

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

EVERGLADES

ag
CEQ, OMB, CEA, Interior, EPA, USDA, NOAA, and the Army Corps of Engineers are consulting on plans to spend the \$200 million made available for Everglades restoration in the Farm Bill. The funds become available for expenditure July 1st. We are concerned that the funds be committed soon, and for special purposes (e.g., land acquisition), so that the authorizing and appropriations committees do not use the funding as a substitute for base program monies. If, however, the Congress does cut base program funding, you will be in a position to criticize Congressional leadership for failing to share your commitment to protect and restore Florida's Everglades.

Senator Bob Graham (D-FL) stated publicly this week that, while he supported the Administration's restoration plan, he was not prepared to support the penny-per pound assessment on Everglades-area sugar. Senator Graham's statement came on the same day that a national poll was released indicating that 89 percent of those polled said they would pay 5 cents more per bag of sugar if the money went to Everglades restoration. (Despite the implication of the poll's question, most analysts do not believe that a penny per pound assessment on Everglades sugar will have any effect on retail sugar prices).

TAKINGS

CEQ continues to lead the interagency effort to respond to "takings" legislation. The Senate recessed without considering Senator Dole's takings bill, S. 605. Conflicting rumors continue to circulate regarding the possible course of the legislation. Some parties speculate that an effort will be made to bring forward a version of S. 605 requiring compensation only in cases where the value of real property is affected by environmental laws. [This would be akin to the House passed bill, which you vowed to veto more than a year ago.] Most parties believe that takings legislation will not be considered because virtually any configuration of such legislation will be very costly, carry a strong anti-environment message, and is likely to require new bureaucracy and trigger widespread litigation.

CEQ has provided Senate minority members and staff with extensive briefing materials on the Administration's actions to protect private property rights in the context of environmental regulation, as well as detailed objections to S. 605. If legislation does ultimately move, we are prepared to supply members with "message" or "poison pill" amendments aimed at contrasting the Majority's "pay the polluter" position with the Administration's "the polluter should pay" perspective.

SEA LIONS

In an unexpected hardening of its position, the Humane Society of the United States is planning to sue to stop the National Marine Fisheries Service (NMFS) from capturing the problem sea lions at Seattle's Ballard Locks and transporting the animals to Sea World in Orlando. The Humane Society claims that the animals' "imprisonment" at Sea World is cruel and unwarranted. Presently, three of the five problem sea lions have been captured, and are being held at a facility near Seattle. NMFS plans to move the animals to Florida as quickly as possible, probably next week.

MAKAH TRIBE WHALING

Some good news on whaling. The Makah Indian Tribe, located at the far northwest tip of Washington's Olympic Peninsula, has agreed not to exercise its aboriginal rights to kill whales this year. The tribe had not taken whales since early this century, but retains whaling rights under the International Whaling Convention. In a move to revitalize its culture and economy, the tribe had planned to kill several California grey whales in Puget Sound this summer and fall. [At one point, the tribe actually planned to harpoon several grey whales that, in lieu of their normal coastal migratory pattern, have adopted local waters for year-round homes and become popular tourist attractions, routinely greeting sightseeing boats and allowing themselves to be petted.] CEQ has been working with NMFS to promote measures that would defer or avoid this potentially very visible and very controversial whaling. The Makah Tribe has agreed not to hunt this year, but instead to work with Alaska Native whaling communities to re-learn whaling skills in Arctic waters.

ELWHA RIVER RESTORATION

Both Seattle-area papers recently editorialized in support of the Administration's plan to remove the two Elwha River dams and urged Congressional support for fiscal year 1997 appropriations for this purpose. CEQ is working with Administration regional officials to identify an appropriate opportunity to demonstrate our commitment to this effort to restore a key regional salmon fishery and support and diversify a troubled rural economy.

SACRAMENTO AREA FLOOD CONTROL/AUBURN DAM

The U.S. Army Corps of Engineers (the Corps) is approximately one week away from submitting a formal report to Congress on the measures they recommend to provide flood protection for the Sacramento, California area. CEQ continues to work with OMB, CEA, EPA, Interior, Commerce, and the Corps of Engineers to resolve pronounced interagency

5/28/96

disagreements on the matter. Although all offices and agencies support a significant package of flood protection measures that includes levee improvements and better operation of existing dams, regional Corps officials have also endorsed construction of a very controversial new flood control dam at the Auburn site on the American River. Washington headquarters Corps officials have noted that the proposed dam may be undesirable given current federal budget constraints, but have not otherwise opposed the plan. Interior, EPA, and Commerce (NOAA/NMFS) strongly oppose the dam for environmental and seismic safety reasons. CEA has raised strong concerns over the economic justification of the project. The interagency disagreements had threatened to trigger a formal referral of the Corps' proposal to CEQ.

We believe that an agreement has been reached under which the Corps will go on record within the next two weeks opposing Congressional authorization of the dam at this time because of unresolved budgetary and environmental reasons. The Corps, backed by the other agencies, will call on Congress to authorize the package of levee improvements and dam operational measures as the appropriate mix of actions to provide flood protection for Sacramento.

This approach is a nearly fatal blow to Auburn dam, which will please California and national environmental groups, but it falls short of "killing" the dam, and some groups will be disappointed.

Dam proponents are left with a reed to lean on, albeit a thin one. The possibility remains that the dam might be recommended for authorization someday if the budgetary and environmental problems are finally resolved. Not a likely outcome, but not impossible. Some, like Representative John Dolittle (R-CA), will feign surprise and dismay, but neither he nor others could have reasonably expected more, given your cautious statements to the Sacramento talk radio host, the fact that the Administration's proposed Water Resources Development Act did not endorse the dam, and the unfavorable budget climate (worsened by this week by severe cuts in the allocation to the Energy and Water accounts from which Corps projects are funded).

We believe this approach will keep the issue from degenerating.

CALIFORNIA CENTRAL VALLEY PROJECT WATER

Congressional efforts to rewrite the Central Valley Project Improvement Act (CVPIA) have ended for the moment. Representative Dolittle announced late last week that he is abandoning, for this year, efforts to pass his legislation aimed at reversing environmental reforms included in the 1992 CVPIA, most notably by reallocating federal project water away from the environment and back to Central Valley farmers. The bill failed to gain support beyond Central Valley agricultural water users, and was strongly opposed by California environmental groups and some urban water providers. It is reported that the House leadership was not sympathetic to the bill because of its anti-environment caste.

With the legislative track on hold, the only significant activity related to Central Valley water is the ongoing process conducted by Interior Deputy Secretary John Garamendi to seek consensus among the State's urban, agricultural, and environmental interests on administrative improvements to the CVPIA. CEQ and Deputy Secretary Garamendi are consulting regularly as we seek to avoid any breakdowns in that process. As the months wear on through the summer, there will be considerable strain placed on the process by factions seeking to force the Administration to side with them on particular difficult issues. It will be difficult, but essential to keep the parties talking and working collaboratively into the fall.

The California environmental community feels aggrieved by a series of incremental decisions made by the Bureau of Reclamation over the last several months which have the effect of increasing agricultural water supplies, potentially at the expense of in-river resources, particularly salmon. We are concerned that the accumulation of such decisions is beginning to appear as an anti-environment bias on the part of the Administration. We are beginning to receive strong letters of protest from the environmental groups and expect adverse editorial comment from Bay Area papers. This is, of course, a very sensitive matter involving several important stakeholder groups. CEQ will raise this situation with Deputy Secretary Garamendi and others here to determine whether the perceptual problem can be addressed.

THE PRESIDENT'S COUNCIL ON SUSTAINABLE DEVELOPMENT (PCSD)

On Thursday, May 30, The PCSD will hold its first meeting that will focus upon the implementation of the report that it transmitted to you on March 7. It is expected that the Council will pursue two types of implementation activities: (1) creating partnerships among the private sector, the non-profit sector, and government to implement specific recommendations; and (2) an aggressive outreach strategy to spread the themes and recommendations contained in the report as broadly as possible.

THE WHITE HOUSE

WASHINGTON
May 24, 1996

96 MAY 24 P3:55

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

Copy sent
to Panetta

Green
CRIME/DRUGS: This week Western Union will send out telegrams from the President to teen DARE graduates. The text of the letter and the Presidential seal was approved by White House Counsel. I have attached a copy of a model telegram.

The national and state press coverage of the Megan's law signing was extensive. What was more remarkable was the recall by the public. I have advocated to the media consultants that they consider putting Megan's law into a DNC commercial. I am running into a little resistance. Nonetheless, I think it is something we should comeback to regularly.

Green
I strongly believe that at the US Attorneys Conference in Baltimore the President give a speech on victims rights. The President could direct the Attorney General to require all US Attorneys to ensure victims have been consulted on all major cases and decisions like how to charge, release, enter a plea, sentence and appeal. This is the best forum for the President to address victims rights and our actions.

Green
I am working with the Department of Education on a national guide to combat truancy. The guide is modeled on the school uniform guide. The President can issue the guide in the next three weeks or he can announce that he has asked Education to develop the guide and then issue it three weeks later.

Green
The Department of Justice has completed a national study on curfews. The study claims that curfews are effective when combined with a complete program to combat juvenile delinquency. We could have the President issue the study and express a general support for curfews.

IMMIGRATION: The announcement of the first industry wide agreement to participate in the Verification program received good New York Times coverage and positive regional press. This announcement reinforces the Administration's efforts to execute our immigration laws and focus on the workplace.

On Tuesday next week Doris is in San Diego to announce new agents and technology for the Eastern part of the Border. Senator Dole

5/28/96

is also in San Diego and plans to attack Alan Bersin. We are leaking the announcement for Tuesday's paper to greet Senator Dole and Doris is flying out Monday to be there first thing Tuesday. We want Senator Dole to respond to our press conference that is why we are going first.

guy I have asked Bersin to organize a press conference with the Sheriff and the local District Attorney right after Senator Dole's press conference. He must show the united front of law enforcement as it pertains to the border.

Wednesday INS will announce the Florida immigration plan with the Governor. Part of the plan will also include the verification program in Orlando.

The local police chiefs are now sending letters to their members opposing the Education amendment to the immigration bill. By mid week all conferees will have received a letter from the police chief or multiple police chiefs in their state. We want to make this amendment particularly hard for Senator Specter, Simpson, and Hatch. We also want to make this difficult for Congressman Hyde.

WELFARE: This issue will stay red hot until Senator Dole leaves the Senate. They are determined to show the President does not have sincere intentions to reform welfare. After the back and forth dies down we should return to our game plan.

The following actions are available for the President to announce:

- ✓ * A change in the regulation to enforce paternity identification.
- ✓ * Strengthening our child support enforcement program.
- ✓ * Grant the 39th and 40th state welfare waiver. The 40th state would be Kansas.
- ✓ * Grant the Michigan waiver which enables them to require teens to stay in school and at home as a condition of receiving welfare.

Utah moved forward

Let's do ASAP

WESTERN UNION TELEGRAM



THE WHITE HOUSE
WASHINGTON

Dear D.A.R.E. America Graduate:

Congratulations to you and each of this semester's graduates of your program. I am so proud of their decision to take charge of their lives by staying away from drugs and continuing their education.

Young people today face very tough challenges. The D.A.R.E. program has prepared its graduates to make wise choices for the future. With the knowledge they have gained from the D.A.R.E. program, young people are able to make a real difference in their communities.

Each graduate will play an important role in the future of America. It is their commitment that will ensure a stronger nation and a brighter future for all of us. I commend you and them on this special accomplishment and wish the graduates every future success and happiness.

Sincerely,

Western Union is a proud sponsor of D.A.R.E.

5/28/96

THE WHITE HOUSE

WASHINGTON

96 MAY 24 P6:33

May 24, 1996

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Marcia L. Hale

SUBJECT: Weeks of May 13-17 and May 20-24

Mayor Daley - Mayor Daley met with Laura Tyson this week as part of her visit to Chicago. The visit went very well. While she was there, the Mayor suggested a meeting of Empowerment Zone CEOs at the White House. Discussed with Kevin Varney and will be discussing it with Elaine Kamark of the VPOTUS staff.

✓ **Mayor Daley** announced that he is beginning work on the seawall restoration in Lake Michigan and that he "understands" that he will have White House support for the program. The program is a \$123 million overall cost project. The city will begin part of the program without \$6 million of its own funds this summer.

*See check/summary
10/25/96
M. Hale*
Mayor Chavez - The continuing effort of Mayor Chavez to annex the Kirtland AFB is on hold pending the Mayor's ability to secure a "political" approval from the state, members of the Senate and the House. The main bone of contention is state sales tax revenue. We continue to work with the Mayor and DOD,

Mayor Finkbeiner - Mayor Finkbeiner continues to advocate for a visit to the Jeep plant producing the right hand steering wheel Cherokees. While very supportive of the President, he believes that we need to come Toledo this summer or fall.

National Voter Registration Act implementation. The Department of Education has issued a directive for Independent Living Centers to comply with the Motor Voter law and has offered assistance to them. Independent Living centers which provide state funded services to the disabled are required to act as registration centers. HumanServe continues to meet with us and other Administration entities to foster implementation of the Act. Meetings are now being scheduled for Interior and HCFA.

Orange County Leadership Foundation - Met in the Roosevelt Room with 20 business and community leaders from Orange County, many of whom are active supporters of the President. They were particularly interested to hear about the work the Administration has done to reduce federal regulations.

China-MFN(week of May 13) - Held numerous meetings with business sectors (NAM; ECAT; Chamber of Commerce; Hong Kong Chamber; Clothing retailers; coalition of associations supporting MFN) regarding our Hill strategy and the IPR sanctions. Held numerous meetings on the Hill with Members; Senate DPC. Prepared press rollout for President's Monday announcement on MFN.

LA Chamber of Commerce - Met with delegation of 50 members of the Chamber. Issues included Alameda Corridor, FEMA earthquake recovery issues, and economic development in general.

Conference Call to Mayors - Wednesday, May 15th, you held a conference call with twelve Mayors and one county Sheriff to announce additional COPS grant money being distributed to over 2,500 jurisdictions across the nation. Mayor Dick Riordan, Los Angeles and Mayor Mike White, Cleveland made brief remarks during the call to thank you for the additional grant. The police chief and local press from each city listened to your announcement on a listen-only line of the conference call. This call set a record for the number of press to call into a listen-only line with 75 call-ins.

The following participated in the conference call:

Dick Riordan, Mayor of Los Angeles
Mike White, Mayor of Cleveland
John Norquist, Mayor of Milwaukee
Jack Sharpe, Vice Mayor of Knoxville
Willie Herenton, Mayor of Memphis
DeeDee Corradini, Mayor of Salt Lake City
Willie Brown, Mayor of San Francisco
John Delaney, Mayor of Tampa
Freeman Bosley, Mayor of St. Louis
Sharpe James, Mayor of Newark
Carty Finkbeiner, Mayor of Toledo
Nathaniel Glover, Sheriff of Jacksonville County

Meeting with Nevada State Legislative Land Commission - Hosted a meeting with bi-partisan representatives of this organization. Shelly Fiddler of CEQ spoke with them regarding land mining, cattle grazing and Yucca Mountain.

5/28/96

Towns and Townships - Met with their board to discuss the President speaking to them at their National Town Hall meeting. They were very pleased with the meeting and look forward to the possibility of working with the White House while they are here September 6 through September 8.

Lt. Governor Borja - Met with Lt. Governor Jesus Borja (D-Northern Mariana Islands). The Lt. Governor wanted to bring us up to date on the two issues that are most important to the Northern Mariana Islands, Immigration and Minimum wage. He was generally happy with the Administration response in these areas and was appreciative of the meeting. He will probably run for governor in 1998 if the current governor, Froilan Tenorio, does not.

Democratic outreach - IGA updated daily fax database of all Democratic state and local elected officials. IGA also added press contacts to our list of elected officials.

Conference Call - Worked with the Vice President's office to schedule two conference calls with elected officials. The Vice President will discuss economic issues with several Democratic County Executives and environmental issues with Democratic State Legislators.

China-MFN(week of May 20): Numerous meetings with business sector groups, including aerospace, agriculture, oil and gas, and entertainment; several meetings with undecided House members and Matsui-Dreier whip group; press follow up to POTUS MFN announcement and Perry speech to PBEC.

✓ **LA: Alameda Corridor**: meeting with LA representatives re-timetable, appropriations process, and possible Presidential attendance at groundbreaking in July.

LA County/Medicaid Waiver: Meeting with County representatives and HCFA regarding Phase II of negotiations, which are continuing, and becoming increasingly complicated.

Long Beach: Meeting with Mayor Beverly O'Neill and other officials regarding base closure; hospital transfer; Alameda Corridor; and economic development issues.

SF: Meeting with community officials regarding siting of USS Missouri at Port of San Francisco.

Oakland: Meeting with officials re dredging of Port; base reuse and economic development; and extension of BART line from Oakland Coliseum to Airport.

Catholic Press Association: As you are aware, Senator Dole addressed the Catholic Press Association (CPA) to present a values speech highlighting:

- a.) differences on partial birth abortion
- b.) a tax credit proposal

The Senator said he would support a tax credit of up to \$500 for an individual, and up to \$1000 per couple, for donations to private and religious organizations to help the poor. Mr. Dole borrowed the idea from Senator Daniel R. Coats of Indiana.

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was (with) when did they meet?

After extensive negotiations with the Catholic Press Association (CPA) the CPA Board of Directors rejected the offer of having Secretary Cisneros address the group following Senator Dole's remarks. We prepared a presidential message that extended your regrets for not being able to appear and reinforced the common ground existing between the Catholic Church and your administration (see attached).

National Public Radio: Briefed NPR reporter Bob Insky on the extensive accomplishments of your presidency on issues of concern to the Catholic Community.

Typical of most media reports, the focus of his inquiries were directed at:

- a.) the perceived conflict between the Catholic hierarchy and you in the wake of the veto on HR 1833; and
- b.) whether the Catholic hierarchy would direct Catholic voters to oppose you in the Presidential election.

To counter these stories we presented the following response:

1.) In their statement on Political Responsibility, the Bishops recognized that it would be theologically unsound, pastorally inappropriate and politically unwise for the Church to tell its laity how to vote.

2.) While the issue of abortion is paramount, the Church is concerned with a broad array of issues that are supported by you. The political priorities of the Church are reflected in their Statement of Political Responsibility. (We are currently compiling your positions on the twenty five issues identified by the Church.)

3.) There is broad common ground between the Church and you on the vast majority of social justice issues.

4.) Senator Dole and the Catholic Church disagree on many of the Church's priority issues. Even though the CPA speech reflected a kinder gentler Dole, this rhetoric conflicts with a record of supporting programs that undercut those goals.

Corporate Responsibility: Initiated a conference call between Catholic reporters and Secretary Reich regarding corporate responsibility. Faxed to Catholic opinion leaders across the country material highlighting your position on corporate responsibility and its relevance to Catholic Church teachings on social justice issues. The objective is to reinforce the connections between the longstanding teachings of the Catholic Church on social justice issues and your position on corporate responsibility

Meeting with Catholic Charities: Met with Sharon Daly, Fred Krammer's Chief Deputy, to discuss their priority issues including immigration and welfare.

Landmines: Relevant members of the Catholic community were brought in for a briefing with NSC on your landmine position. Following the briefing the Catholic Conference issued a statement commending your leadership on the issue but calling for a date certain to be set for the final ban.

THE WHITE HOUSE

WASHINGTON

May 21, 1996

Warm greetings to everyone gathered in Philadelphia for the 1996 convention of the Catholic Press Association of the United States and Canada. I wish very much that I could be with you today, but I know you'll understand how important it is for me to be in Milwaukee to host Chancellor Kohl of Germany.

Inherent in the power of the press is the ability to inform, to teach, and to challenge the ways in which we live our lives. With this power comes great responsibility. Catholic journalists add a unique perspective to public discourse, examining issues of great importance to our society and democracy in the light of faith. Many of the key moral issues of our day -- from the role of the family, to the education of our children, to America's leadership in the world -- are regularly debated and advanced in the pages of the Catholic press. I salute all of you for your professionalism and commitment to this vital endeavor.

While there are some painful and sobering issues upon which we disagree, there is much more that we hold in common, and I believe it is crucial that we continue an open and respectful dialogue. American Catholics have historically defended the interests of the poor, the elderly, children, and immigrants -- the most vulnerable among us. Pope John Paul II reminded us during his visit to Baltimore last year that "Democracy stands or falls with the truths and values which it embodies and promotes." Recognizing this, we must work together to strengthen family life and inspire a new sense of personal and civic responsibility. We must ensure that every individual has access to a good education, quality health care, a job with a future, and a genuine chance to share in the American Dream. Only then will we be able to overcome our challenges and ensure a bright future for our children.

Best wishes for an enjoyable and productive conference.

Bill Clinton

5/28/96

THE WHITE HOUSE

WASHINGTON

96 MAY 24 P6:33

May 24, 1996

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Marcia L. Hale

SUBJECT: Weeks of May 13-17 and May 20-24

|| Mayor Daley - Mayor Daley met with Laura Tyson this week as part of her visit to Chicago. The visit went very well. While she was there, the Mayor suggested a meeting of Empowerment Zone CEOs at the White House. Discussed with Kevin Varney and will be discussing it with Elaine Kamark of the VPOTUS staff.

✓ Mayor Daley announced that he is beginning work on the seawall restoration in Lake Michigan and that he "understands" that he will have White House support for the program. The program is a \$123 million overall cost project. The city will begin part of the program without \$6 million of its own funds this summer.

✓ Mayor Chavez - The continuing effort of Mayor Chavez to annex the Kirtland AFB is on hold pending the Mayor's ability to secure a "political" approval from the state, members of the Senate and the House. The main bone of contention is state sales tax revenue. We continue to work with the Mayor and DOD,

✓ Mayor Finkbeiner - Mayor Finkbeiner continues to advocate for a visit to the Jeep plant producing the right hand steering wheel Cherokees. While very supportive of the President, he believes that we need to come Toledo this summer or fall.

National Voter Registration Act implementation. The Department of Education has issued a directive for Independent Living Centers to comply with the Motor Voter law and has offered assistance to them. Independent Living centers which provide state funded services to the disabled are required to act as registration centers. HumanServe continues to meet with us and other Administration entities to foster implementation of the Act. Meetings are now being scheduled for Interior and HCFA.

Orange County Leadership Foundation - Met in the Roosevelt Room with 20 business and community leaders from Orange County, many of whom are active supporters of the President. They were particularly interested to hear about the work the Administration has done to reduce federal regulations.

Leon / VP / Emerson / Kelly / Smith / ~~W~~

We need to discuss this
+ whether we should oppose
~~the~~ the initiation - It appears
to go beyond what law was
before scientific reform passed

THE PRESIDENT HAS SEEN

5/28/96

Boz

MAY 21 '96 10:08AM PATRICK OF VENTURES NY
NATIONAL VENTURE CAPITAL ASSOCIATION
1655 North Fort Myer Drive
Suite 700
Arlington, Virginia 22209
Tel: 703/351-5269
Fax: 703/351-5268

THE PRESIDENT HAS SEEN

5/28/96

IMPORTANT INFORMATION ENCLOSED

TO: NVCA Membership
FROM: Carl D. Thoma and Daniel T. Kingsley
RE: California Securities Fraud Initiative
DATE: May 17, 1996

Several days ago you received an urgent fax from NVCA outlining the severe consequences venture capitalists and your portfolio companies will face if an initiative to greatly expand state securities litigation is passed by the voters of California in November. As noted in the fax, companies with only minimal contacts with the State of California will be able to be sued in California state courts on securities fraud grounds. Venture capitalists, no matter where they reside, will be affected by this initiative as it prohibits companies from indemnifying directors and officers, but allows companies to buy D&O insurance. This is intended to create additional pressure for companies to settle meritless suits because it exposes directors and officers to the potential of personal financial ruin.

NVCA has joined a coalition composed of high technology companies, financial services, small businesses, taxpayer groups, and senior citizens to fight the initiative. The group, Taxpayers Against Frivolous Lawsuits (TAFL) is launching a coordinated campaign to beat this anti-business ballot measure. Attached are several important documents which outline the initiative and the strategic approach TAFL will undertake to defeat the securities litigation initiative.

NVCA was a major force in seeing that comprehensive federal securities litigation reform was enacted over the President's veto last year. Our hard fought victory cannot be sacrificed by the will and money of a few dozen trial lawyers. The NVCA Board of Directors has made the defeat of the California Initiative its Number #1 priority and has announced that the association will contribute substantially to the effort. However, as you will see from the attachments, millions of dollars will be needed to defeat the trial bar. We need your help. Over the next month you will be receiving correspondence and calls from us requesting a contribution to this effort. Please take the time to carefully study the potential impact that this initiative could have on our industry and act accordingly.

IMPACT OF THE CALIFORNIA SECURITIES LITIGATION INITIATIVE ON VENTURE CAPITALISTS AND PORTFOLIO COMPANIES LOCATED IN AND OUT OF CALIFORNIA

- This initiative on California's November 1996 ballot is an attempt to circumvent the federal securities litigation reforms passed by Congress last year that restrict the ability to file a lawsuit against a company simply because its stock price has dropped.
- The initiative was drafted by, and is funded entirely by, securities "strike suit king" Bill Lerach, his law firm, and other securities litigation law firms around the country.
- The initiative would greatly expand the ability to file speculative and frivolous lawsuits under California state law and give plaintiffs' lawyers tremendous leverage to force companies to settle rather than fight meritless lawsuits.
- It would effectively render federal reforms moot and make California a haven for such lawsuits.
- The initiative would apply to every public company in the United States, not just those in California.
- Any company in the nation could be sued if one shareholder was a Californian.
- If this measure is enacted, it can only be changed by another vote of the people — the legislature can only make "technical corrections" to enacted initiative statutes.
- Statute of limitations is likely expanded beyond the current three-year outside limit.
- Additional compensatory/punitive damages.
- Culpability standard is watered down, approaching something close to "gross negligence"
- It adds very broad version of "fraud on market" standard.
- Authorized private actions against aiders and abettors.
- No "safe harbor" provisions for predictions.
- Full "joint and several" liability.
- Virtually no protections against abusive litigation.
- Allows the use of "professional plaintiffs."

AND IF ALL THAT ISN'T BAD.... LOOK AT THIS

- Prohibits companies from indemnifying directors and officers, but allows companies to buy insurance for directors and officers. This provision is intended to create additional pressure for companies to settle rather than fight meritless suits because it exposes a company's directors and officers to the potential of personal financial ruin.

MORE INFORMATION TO FOLLOW IN A FEW DAYS



Taxpayers Against Frivolous Lawsuits

Strategic Approach Defeating the "Securities Litigation" Initiative

Background

Securities "strike suit king" Bill Lerach, his law firm and other securities litigation law firms from around the country have contributed \$5 million dollars to a front group called "Citizens for Retirement Protection and Security." This political action committee recently submitted 900,000 signatures to qualify their measure for the November 5, 1996 California general election ballot. It is officially titled by the Attorney General as "Attorney-Client Fee Arrangements. Securities Fraud. Initiative Statute." The 900,000 signatures submitted virtually assure that the measure will qualify and be certified for the November ballot in the near future, as only 433,000 valid signatures are required.

Essentially, their proposed measure would allow unscrupulous securities trial lawyers to circumvent recent federal reforms. These reforms were enacted by a wide margin in a rare bi-partisan Congressional effort to deter abusive practices which had characterized many securities lawsuits. If this measure is enacted in California in November, it will allow the securities lawyers to file frivolous lawsuits in California that would not be allowed under the federal law.

Taxpayers Against Frivolous Lawsuits

Business leaders from throughout California and the nation have organized "Taxpayers Against Frivolous Lawsuits" (TAFL) to conduct the campaign opposing the initiative. The coalition is chaired by Kirk West (President of the California Chamber of Commerce), John Sullivan (President of the Association for California Tort Reform) and Tom Proulx (co-founder of Intuit). TAFL has retained Goddard*Claussen/First Tuesday, an experienced ballot issue management company with a strong track record in defeating anti-business California ballot issues, to manage the overall campaign.

The Strategy

Under the guise of a political front group called "Citizens for Retirement Protection and Security," securities lawyer Bill Lerach and his counterparts throughout the nation are attempting to convince California voters that passage of their measure will offer additional protections for retirement savings. They have hundreds of million of dollars in fee income at stake and they are willing to spend millions on a deceptive campaign.

Recent public opinion survey research indicates that the "Lerach" initiative is favored by voters and, if the election were held today, it would likely pass. However, the initial margin of support for the measure is far below the sixty percent range normally necessary to achieve passage of a California ballot measure. The experienced consulting team assembled by Taxpayers Against Frivolous Lawsuits is convinced that the measure can be defeated -- and defeated soundly on November 5, 1996.

The lessons learned from Proposition 201 on California's March ballot (securities reform/loser pays), which was unfortunately defeated, have been enveloped in the strategy to defeat the "Lerach" initiative:

- It is crucial to have an experienced ballot issue campaign management firm in place, supported by a broad management and steering committee with experience in conducting California ballot issue campaigns.
- Unlike the 201 effort, we will be asking for a "no" vote in November. It is always easier to get a "no" vote than a "yes" vote, especially on such a complicated and somewhat academic issue.
- It is imperative that \$10 million, out of a potential budget of \$16 million or more, be raised by the end of July. We must avoid the trap faced by the Proposition 201 campaign, where they were unable to purchase television time in advance. Taxpayers Against Frivolous Lawsuits must make major purchases of television time for the final four weeks of the campaign in early July. This not only assures that the campaign will have the time, but more importantly, allows the campaign to negotiate better rates and purchase high quality time slots.

Taxpayers Against Frivolous Lawsuits will undertake a very strategic, research driven campaign encompassing earned media, paid media and coalition outreach and grassroots. Major messages will likely include the fact that this is nothing more than a self-interest piece of legislation benefiting securities lawyers -- a "Trojan Horse" smoke screen. More importantly, however, will be delivering messages that appeal to the self-interest of voters such as:

- Costs to taxpayers from frivolous lawsuits
- Damage to business and our business environment
- Loopholes granting immunity to elected officials
- Negative impacts on seniors (economically and through reduced medical research)
- Lost jobs

Survey research documents that these are persuasive messages when combined with the knowledge that this is sponsored by and for securities lawyers. This combination of messages move voters to strong opposition. Outlined below are the methods the coalition will employ to deliver these messages, among others, to California voters between now and November 5, 1996.

The Campaign

Research. The coalition has completed eight focus group studies which provide strong evidence that the Lerach measure can be defeated in November. Not only do we have a fairly strong anti-trial lawyer sentiment in the state, but more importantly in terms of moving voters, we have an environment in which there is tremendous concern with enhancing job growth in the state and attracting new high-tech business and preserving those already located here.

In addition, TAFL has completed a benchmark survey which strongly suggests the measure can be defeated through a comprehensive public education campaign. In addition to concerns about the securities lawyers sponsorship of the measure, the public is also concerned about the fact that it would circumvent federal reforms and make California the securities lawsuit capital of the country.

Research will continue to play a pivotal role in the campaign, enabling us to define the debate and place securities lawyers on the defensive. It will provide us with the most persuasive messages and messengers and help us to position the initiative as special interest legislation damaging to all Californians.

Economic and Legal Analysis. Successful efforts to impact the title/summary have already taken place, by the elimination of "retirement security and protection" language from the official title/summary. However, the Coalition expects the proponents to file suit in an effort to reinsert that language, as it appears to represent the primary message of their campaign. In addition, the coalition will also be working with the Legislative Analyst to provide additional information and documents relating to the fiscal impact of the measure.

Campaign consultants and supporters are also in the process of conducting additional analysis in terms of the measure's specific impacts in California. It is likely that much of the campaign will focus on the economic impacts of the measure and its chilling message to high-technology firms, combined with the anti-trial lawyer/lawsuit abuse messages, the costs to taxpayers and the "landside of lawsuits" it would bring to California.

Coalition Building/Outreach. The coalition is also implementing a strong outreach effort. The goal of these activities is to prevent credible groups and individuals from endorsing the Lerach initiative and where possible, to get them to support our opposing campaign. Our first priority is to contact those groups which might be expected to endorse the initiative (AARP, League of Women Voters, Democratic/liberal groups and associations, civic and community organizations, etc.).

Our second priority consists of groups and associations which are likely to support our position or remain neutral (other business groups, chambers, Republican/moderate and conservative groups, taxpayer groups, etc.).

The underlying strategy in this early outreach is simply to isolate securities lawyers and other proponents as much as possible so that we can position them as a very narrow, self-interest campaign, outside mainstream California and similarly, position our campaign as one of the most diverse, broad-based in California history. Activities will also include an aggressive speakers' bureau, some direct mail to specific audiences, volunteer material distribution efforts, and many others.

Earned Media. Although California press and media outlets are just now beginning to focus on potential November ballot measures, it is crucial that the coalition begin defining the debate in our terms early. Thus, the coalition has prepared and mailed a preliminary background information piece to press and media outlets and editorial boards. A more complete kit will be prepared and mailed in mid-summer. The coalition will sponsor on-going opinion-editorials and letters to editors during this period and will also respond to media inquiries, efforts by proponents to gain media attention and where appropriate, initiate pro-active press and media relations activities.

As November approaches, media and press relations will dramatically increase, in part because media and press outlets will be more fully focusing on November ballot measures. Activities will include pro-active press conferences and events, video and audio news releases, weekly/monthly feature releases, editorial board meetings, one-on-one briefings with key reporters, letters to editors, etc.

Paid Media. While coalition building, outreach and media/press relations are crucial campaign elements and provide the foundation for the campaign, paid media will be the primary vehicle for moving voters from "yes" to "undecided" and then to "no." Although a final paid media strategy will depend on the results of the research and a number of other factors, including the tactics and funding of proponents, etc., it is likely that the coalition will run a fairly aggressive television and radio effort during the final five weeks of the campaign, supplement by a prudent print campaign and direct voter contact activities including direct mail, slate mailers and telephone bank operations. The campaign may also undertake an earlier "positioning" paid media campaign.

Conclusion

The trial lawyers are expected to spend \$15 to \$20 million to pass this measure and have already raised over \$5 million. However, despite their efforts, we have every confidence that with a determined public education and outreach campaign, the measure can be defeated. Once the public knows this is nothing more than a "trial lawyer trick" allowing them to circumvent federal law and file groundless securities suits in California, they will overwhelmingly reject the measure in November.

Taxpayers Against Frivolous Lawsuits

915 L Street Suite C307 Sacramento, California 95814 916.774.0637 Fax 916.774.0642
 Paid for by taxpayers against frivolous suits by trial lawyers, securities lawyers, and other business, taxpayers, high-technology and financial services businesses and organizations. CA 100951764
 CAMPAIGN 4/96 May 8, 1996

YES, I'LL HELP!

I support the effort to defeat the trial lawyers' Securities Litigation ("Lerach") Initiative.

My check for \$_____ is enclosed (payable to Taxpayers Against Frivolous
Lawsuits. CA ID # 951764).

Name

Title/Occupation *

Company/Employer *

Address

City/State/Zip

Home or Office Phone

Fax Number

Signature

Date

Please Return Contributions to: NVCA at the above address. NVCA will send all checks it receives from its members, along with its own contribution, to the Taxpayers Against Frivolous Lawsuits.

Please Note: Contributions of stock are permissible. If you prefer to make your contribution in stock, it should be transferred to the following account:

DTC # : 030

Account # : ABL - 957029

Account Name: Taxpayers Against Frivolous Lawsuits

c/o Prudential Securities

3300 Douglas Blvd., Suite 450

Roseville, CA 95661

Prudential Securities Contact: Bill Baxter at 916-789-4444

If you make your contribution in stock, please let NVCA know!

**For Contribution Information or Questions, Please Call Anne LeGassick at
818-996-1045**

* Required by the State of California for contributions by individuals, but not for contributions by companies. Your contribution is NOT deductible for income tax purposes. THERE IS NO LIMIT TO THE AMOUNT OF THOSE CONTRIBUTIONS.

MAY 21 '96 10:11AM PATRICO VENTURES NY
NATIONAL VENTURE CAPITAL ASSOCIATION
1655 North Fort Myer Drive
Suite 700
Arlington, Virginia 22209
Tel: 703/351-5269
Fax: 703/351-5268

P.9/12

**MANY OF YOU MAY HAVE LEGAL QUESTIONS
REGARDING THE CALIFORNIA INITIATIVE.**

**ATTACHED ARE TWO LEGAL PIECES
WHICH WE HOPE WILL ASSIST YOU AND
YOUR LAW FIRM IN UNDERSTANDING
THE LEGAL RAMIFICATIONS OF THE
NOVEMBER CALIFORNIA VOTE**

ISSUE	PRE-REFORM LAW	POST-REFORM FEDERAL LAW	EFFECT OF THE NOV. INITIATIVE
Statute of Limitations	Supreme Court's <u>Lampf</u> decision established statute of limitations at one year from discovery of violation (or from when violation would have been discovered with exercise of reasonable diligence), but no later than three years from alleged violation.	No change.	Initiative specifies no statute of limitations. Assuming that some general California limitations rule even would apply, that rule would be limited by a number of tolling principles that would extend the limitations period far beyond <u>Lampf</u> 's three-year outside limit.
Extra-compensatory Damages	No punitive damages available in actions under federal securities laws; treble damages claims permitted under federal RICO.	Eliminates RICO claims based on conduct actionable under federal securities laws.	Authorizes punitive damages for "willful, outrageous, or despicable conduct," a standard that is easier to meet than the existing California rule governing availability of punitive damages in tort actions.
Scienter Standard	The Ninth Circuit has held recklessness that "is a lesser form of intent" is actionable in Rule 10b-5 actions, defining that conduct as "a highly unreasonable omission, involving not merely simple, or even inexcusable negligence but an extreme departure from the standards of ordinary care, and which presents a danger of misleading buyers or sellers that is either known to the defendant or is so obvious that the actor must have been aware of it" (<u>Hollinger v. Titan Capital Corp.</u> , 914 F.2d 1564, 1569 (9th cir. 1990)).	No Change	Explicitly authorizes liability for "reckless[]" conduct, which is likely to produce a significantly watered-down culpability standard akin to gross negligence.
Fraud on the Market	Federal law allows use of the "fraud on the market" theory to replace proof of individual reliance in carefully limited circumstances; fraud on the market principle not recognized under California law.	No change.	Codifies extremely broad version of fraud on the market standard, eliminating numerous important protections now available to defendants under federal law.
Aiding and Abetting Liability	No liability for aiding and abetting in federal rule 10b-5 actions (as a result of Supreme Court's <u>Central Bank</u> decision).	Authorizes SEC to bring enforcement actions against alleged aiders and abettors; no private right of action for aiding and abetting.	Specifically authorizes private actions against aiders and abettors.
Safe Harbor for Forward-Looking Statements	No statutory safe harbor for predictions.	Detailed statutory safe harbor protecting predictions.	No safe harbor for predictions.
Joint and Several Liability	Full joint and several liability for all defendants.	Full joint and several liability only for knowing fraud; otherwise, modified proportionate liability.	Full joint and several liability for all defendants.
Pleading Standard	The Ninth Circuit held that "plaintiffs may aver scienter generally"; federal courts did not automatically stay discovery while motion to dismiss was pending.	Stricter pleading standard requiring plaintiffs to "state with particularity facts giving rise to a strong inference that the defendant acted with the required state of mind" and providing automatic discovery stay pending resolution of motion to dismiss.	California law includes a requirement that fraud be pleaded with particularity, but that standard is liberally interpreted and results in dismissal of complaints much more rarely than in the federal system; new federal standard would not apply to state law claims brought in federal court; no automatic discovery stay.
Elimination of Abusive Litigation Practices	No special protection against abuse litigation practices.	Prohibits payment of bonuses to professional plaintiffs; requires increased disclosure of information to class members; bars attorney conflicts of interests; institutes procedures to eliminate professional plaintiffs.	No protections against abuse litigation; eliminates existing limits on derivative actions designed to prevent abuse.
Calculation of Fees for Plaintiffs' Attorneys in Class Actions	Vague judicially-created standards for award of fees to attorneys representing class.	Limits fees to "a reasonable percentage of the amount of any damages and prejudgment interest paid to the class."	Prohibits any regulation of attorney fee arrangements.

The California Securities Law Initiative Would Create
A New Cause Of Action That Is Extremely Broad In Scope

This memorandum evaluates the likely scope of the private cause of action contained in the California securities law initiative proposed for the November ballot. In particular, it discusses whether plaintiffs' lawyers would be able to use this law to replicate in full the class actions that they now institute under the federal securities laws.

To begin with, it is important to note that the initiative language itself does not limit the class of plaintiffs that may invoke the new remedy. Unlike many state securities laws, such as California's existing statute, the initiative is not expressly limited to securities offers or sales "in this State." Rather, the initiative contains no express restrictions on its scope. It is possible that the California courts might limit the initiative to California-based plaintiffs based on the language in the "Findings and Declarations" (Section 2) relating to in-State entities. But the courts are more likely to be influenced by the lack of geographic limitations in the substantive sections, and conclude that the statute was intended to reach as far as the United States Constitution allows.

That constitutional test provides that a State may apply its law only if it has a "significant contact or aggregation of contacts to the claims asserted by each member of the plaintiff class * * * in order to ensure that the choice of [forum] law is not arbitrary or unfair." Phillips Petroleum Co. v. Shutts, 472 U.S. 797, 821-822 (1985). The "expectation of the parties" is "an important element" in the fairness evaluation. Id. at 822. The outcome of this test varies depending upon the particular factual situation.

Companies that are incorporated in California or have their principal place of business there almost certainly could be sued by all allegedly injured parties, even those located outside California. In most cases, the conduct in question will be the alleged false statements that give rise to the securities claim -- and those statements typically are "made" at the corporation's principal place of business. Even if a representative of a California company makes the key statement outside the State, moreover, it is likely that the new remedy could be invoked by all injured parties. That is because incorporation in California, or the presence of a principal place of business there, by itself would likely be a sufficiently "significant contact" to support the application of California securities fraud provisions. See Shutts, 472 U.S. at 819. Compare Singer v. Magnavox Co., 380 A.2d 969 (Del. 1977) (questioning but not deciding whether Delaware securities law constitutionally could apply to non-Delaware conduct of Delaware corporation) with Havlicek v. Coast-to-Coast Analytical Services, 46 Cal. Rptr. 2d 696, 701 (App. 1995) (principal place of business is "significant contact" in constitutional analysis). With respect to these companies, therefore, plaintiffs' lawyers would be able to replicate completely the nationwide class actions now brought under federal law.

Although the outcome of the legal analysis is less clear, there are at least some situations in which a company located outside California almost certainly could be subject to nationwide class actions under the new remedy. And it is possible that the California courts could conclude that such class actions could be brought in all cases.

First, companies located outside California could be sued under the new provision by all allegedly injured parties -- even those located outside California -- if the challenged conduct occurred in California. A company located outside California may make statements within the State; for example, comments at a meeting of analysts held in California. If those statements are the basis for the securities fraud claim, the California remedy could be invoked by all of the company's shareholders. That is because California has the constitutional power to apply its own law to any conduct occurring in California. Shutts, 472 U.S. at 819.

Second, companies located outside California almost certainly could be sued by injured California residents even if the challenged conduct occurred outside California. California has a significant contact if the alleged victims of a fraud reside within the State. Shutts, 472 U.S. at 819. It therefore would be possible in every case for a plaintiffs' lawyer to initiate a class action on behalf of all California residents harmed by the alleged fraud.

Third, although the result appears unlikely, the California courts might conclude that even non-California residents could invoke the new remedy against non-California companies for conduct occurring outside the State. In one case, a California appellate court applied California punitive damages law in an insurance bad faith action brought by a Pennsylvania manufacturer against a Pennsylvania insurer regarding coverage for Pennsylvania activities. Nicolet v. Superior Court, 224 Cal. Rptr. 408 (App.), review granted, 719 P.2d 987 (Cal. 1986), vacated as moot, 736 P.2d 319 (Cal. 1987). The court held the insurer did substantial business in California and therefore could "hardly claim prejudice at finding itself subject to the laws--including the punitive damage laws--of [California]." 224 Cal. Rptr. at 419.

The Nicolet case is not a binding precedent; the claims in the case were settled after the Supreme Court of California had granted review and vacated the opinion. But it is an indication of how the California courts might view the issue. If a company did substantial business in California, and if a large share of the potential nationwide class is located in California, it is possible that a California court might approve nationwide application of the initiative remedy. See also Roberts v. Heim, 670 F. Supp. 1466 (N.D. Cal. 1987), aff'd in part, rev'd in part sub nom, Roberts v. Peat Marwick Mitchell & Co., 857 F.2d 646 (9th Cir. 1988), cert. denied, 493 U.S. 1002 (1989) (holding -- based in part upon these factors -- that nationwide class of plaintiffs could invoke California tort remedy); Clothesrigger, Inc. v. GTE-Corp., 236 Cal. Rptr. 605, 608 (1987).

Although the initiative at some point may be held to apply constitutionally only for the benefit of California plaintiffs unless the statements or conduct at issue took place in the State, or the defendant is incorporated or headquartered in California, a final determination may come only after adverse rulings by trial or intermediate appellate courts. As a consequence, there is a significant litigation risk that any publicly held company that does business in California could be held liable to a nationwide class under the cause of action created by the initiative.

THE PRESIDENT HAS SEEN

5/28/96

THE WHITE HOUSE

WASHINGTON

May 21, 1996

MR. PRESIDENT:

In the attached memo, Sec. Shalala suggests that, in one of your commencement speeches, you call for a campaign by employers and insurers to better address the health coverage needs of young adults. Twenty-seven percent of 18-24 year olds are uninsured, compared with 15% of the population overall; many lose coverage when they graduate college. Donna suggests that such an initiative would allow you to simultaneously address the issues of health care, corporate responsibility, and the government's role in supporting families, through a voluntary, non-regulatory approach.

Carol, Gene, John Angell, Vicki Radd, Chris Jennings and Jennifer Klein met on this proposal and have serious reservations about it. First, they believe that our current focus should be on the Kassebaum-Kennedy bill, and that talking about new health reform proposals now may hurt the chances of passing that bill. Apart from timing, there is a real question as to whether young adults -- as distinguished from, say, children or workers who lose their jobs -- are the best group to target for additional health care reform. They are not necessarily the most needy -- many choose not to have health insurance because they are young and healthy.

Todd Stern

Helen Howell

Leon/cu UP/CS/DA
G. Lib. Services
agru on Friday M. K. K.
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B.

~~Todd Stern~~



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MAY 8 1996

96 MAY 9 10:28

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Incremental Health Care Reform -- Covering the Class of '96

Summary

In one of your upcoming commencement speeches, you could call for a voluntary, private sector campaign to address better the health coverage needs of young adults -- who often lose health coverage as dependents when they graduate from college.

Introduction

In the past year, you have effectively focused public and Congressional attention on the need for incremental health care reforms, with the centerpiece being insurance reforms. That effort, coupled with your strong stand in updating and preserving Medicare and Medicaid, is proving successful, and provides a model for future strategies -- a modular approach to health care reform.

We should continue to target our efforts on gaps that occur in the transitions among parts of the health care system -- as individuals move from job to job, as they age from one form of coverage to another, or as the system itself changes. I have been reviewing potential approaches, and one in particular suggests itself for immediate attention. That is to call on employers, insurers, and the National Association of Insurance Commissioners to develop model programs to address coverage needs for young adults.

As you may know, many young adults now lose health insurance coverage as they become independent; such as graduating from college. My own department's General Counsel discovered the problem first-hand shortly after her son's graduation. When her son went in to fill a prescription last June, he was informed that he was no longer covered by the family's health insurance policy, and his mother, while surprised, immediately took action to purchase supplemental insurance. Just weeks later, a serious bicycle accident put him in the hospital for two different surgical operations -- which would have cost the family thousands of dollars if he had not discovered that he was uninsured because of his college graduation.

Calling on insurance companies to design policies to address this gap in coverage would have special appeal to two important groups: young adults age 18-24, who either don't have health insurance or are realizing its cost for the first time, and their parents, who are increasingly concerned about their children's safe transition to independence. And it gives you the

opportunity to simultaneously address the high-profile issues of health care, corporate responsibility, and the government's role in supporting families, through a voluntary, non-regulatory approach.

The proposal could be announced in one of your upcoming commencement speeches, which would guarantee you a supportive audience and a visible platform. It could also be followed by a meeting with insurers, interviews with college newspapers, specialty press outreach to target media like MTV, and visits to college campuses this fall.

Background

Young adults are the population most likely to be uninsured: 27 percent of 18-24 year olds are uninsured, compared with 15 percent of the population as a whole. Health insurance gaps are the norm as these individuals make a transition from coverage as dependents to coverage in the work force.

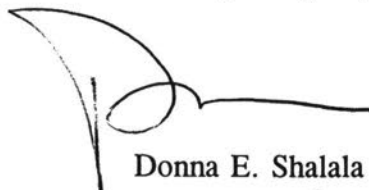
In general, children are considered dependents through age 18-21, depending on state law. Full-time students are covered generally through age 22 or 23. Many states provide for a continuation of coverage option when dependency status ceases; certain provisions in the insurance reforms recently passed by the House and Senate, if enacted, will provide for the availability of individual policies for such individuals.

Proposal

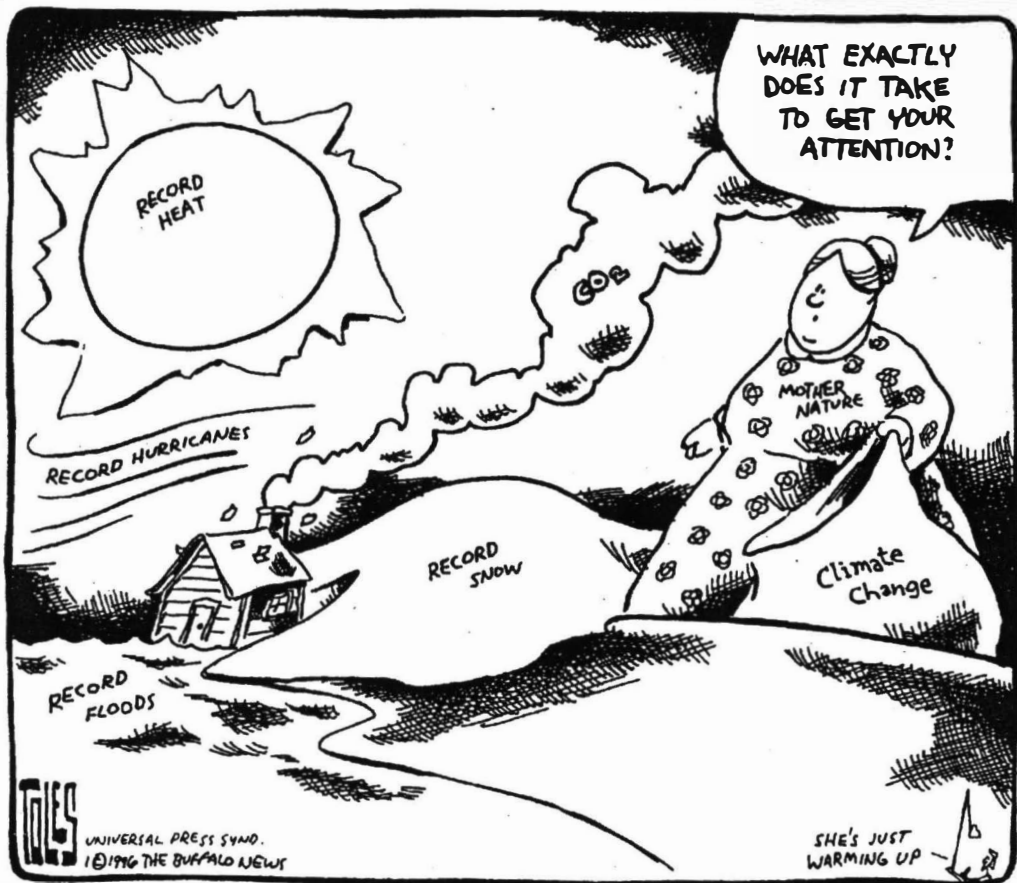
You would call on employers and insurers, working with the National Association of Insurance Commissioners (NAIC), to create a campaign to better address the coverage needs of this population. The campaign would include:

- model family health insurance program(s) for states, with a uniform extended age through which young adults would be able to be carried as dependents;
- an educational campaign on the purchase of health insurance for young adults.

I have talked informally with some major insurers about this proposal. If you are interested in pursuing this matter, I will follow-up with more detailed discussions with the key parties to set the stage for an announcement during the spring graduation season.



Donna E. Shalala



Tom Toles/Bufalo News

THE PRESIDENT HAS SEEN
5/28/96

To VP - fu care you missed

BoC

5-21-96

HERSHEL W. GOBER

THE PRESIDENT HAS SEEN

5/28/96

Nancy - I thought the President might like to see this letter.

Three years ago she was one of our most vocal critics. I have worked with her and while we have disagreed I have been honest with her and her group and convinced her that the President is committed to as full accounting as possible of our MIAs from Vietnam.

She is actively campaigning for us in North Carolina and other states where her members are.

Hill

To Cher/Grommet THE PRESIDENT HAS SEEN
cc: Peter King 5/28/96

And to Therese
to Humbert/Gargano

Stacy Forster -
Please provide
reply.

BC



THE PRESIDENT HAS SEEN
5/28/96

POW/MIA Grassroots Association • P.O. Box 40565 • Raleigh, NC 27629

May 20, 1996

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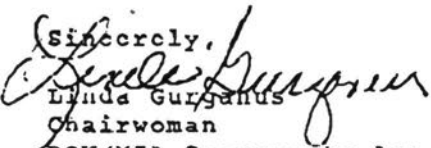
I have just finished reading Senator Dole's May 9th speech to the Center for Strategic & International Studies. It appears that Senator Dole has not looked beyond his own back door. His statement regarding President Clinton's track record was much more to his own track record than that of the Presidents.

His own weakness in indecision, doubletalk and incoherence has diminished American credibility and undermined American interest, especially the veterans. I cannot imagine a man who wishes to become our leader running from the responsibilities that face him. We do not see his motives for stepping down as Senate Majority Leader as one of necessity to run for President, but one of not having the leadership qualities necessary to face the problems at hand. He will not even stand behind his own legislation.

The ads that Senator Dole is running are offensive in light of the sacrifices that many men have had to endure in captivity all of these years. Senator Dole's injuries are pale in comparison to the suffering of many of the Veterans who lost arms, legs, and are paraplegics today. I would think this lame attempt for sympathy would be offensive to all who have suffered war wounds. Senator Dole has had a good life and made his fortune for the last 35 years on the backs of the taxpayers.

While it is true that President Clinton did not serve in Vietnam and has faced many controversial issues, he has faced his opposition with strength and has not run and hid from it. We may not always agree with him, but we do know where he stands, good or bad.

I am saddened to say that while I was ready to be a Dole supporter, I can no longer be a supporter of one who does not support us as a strong leader. My vote goes to President Clinton.

Sincerely,

Linda Gurganus
Chairwoman
POW/MIA Grassroots Assoc.

National Vietnam Veterans Coalition
Board of Directors
"Facts Are Relevant - The Truth Is Absolute"

THE PRESIDENT HAS SEEN

5/28/96

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THE PRESIDENT HAS SEEN
THE WHITE HOUSE 5/28/96
WASHINGTON

5/21/96

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In Political Marriage, Nader Dons His Own Shade of Green

By Blaine Harden
Washington Post Staff Writer

A1

SANTA MONICA, Calif.—A half-block from the beach, the roller-bladers and the chiseled bodies beautiful, Ralph Nader's presidential operatives eat organic whole-wheat pita bread and carp about their candidate.

The assembled activists from the Green Party of California say America's most famous consumer advocate, having agreed to be their party's standard-bearer come November, is not behaving like presidential timber.

"I wish he would take this campaign thing a little more seriously," laments Celia Alario, who has a tiny red tattoo on her left knee and was recently arrested in Los Angeles for chaining

herself to a bulldozer. "Ralph is just not present at all. It is very depressing," agrees Mary Forest, a bookkeeper, massage therapist and self-described "advocate of vegetarianism as an environmental and economic solution."

A continent away in a dimly lit dining room of the Capital Hilton, Nader slouches in one of his trademark undertaker suits, eats non-organic toast and nods impassively at reports that the Greens are restless in La La Land. The candidate expected as much.

He acknowledges that his perversely unpresidential behavior—raising no money, accepting no campaign contributions, airing no TV commercials, spending just \$5,000 of his own money, refusing to file as a candidate with the Fed-

See NADER, A7, Col. 1

NADER, From A1

eral Election Commission and visiting California just once so far this year—is irksome to Green believers.

He concedes, too, that he has no intention of running on the Green Party's platform, which, among other things, supports same-sex marriages. "I am not going to focus on gonadal politics," he says.

And he admits that he doesn't much want to be president.

What Nader wants, he says, is to destroy the two-party American political system as we know it. A big job, he allows, but the long-distance crusader who lives in an undisclosed location somewhere near Dupont Circle is in no hurry.

"These kids out in California are a little impatient. They may not know as much as I know. My goals transcend November," says Nader, 62, his thick black hair gone white at the temples.

"The problem with emerging parties in America is that they keep really short-term calendars. If you want to have a large third party by the year 2000, a party that the Democrats cannot ignore, then it makes sense to start building now."

To that end, Nader has made a marriage of convenience with the Greens, a party he refuses to join, in hopes of giving President Clinton a nasty headache here in California, the mother lode of electoral votes and the one state that is pivotal to the president's reelection strategy.

So far, Nader is also on the ballot in five smaller states. A Draft Nader Clearinghouse based in Northern Virginia, which the FEC lists as independent of candidate Nader, is working to get him on the ballot in 33 states. Nader has a good chance of getting on the ballot with the Greens in at least six more major states—Ohio, New Jersey, Pennsylvania, New York, Michigan and Illinois, according to Richard Winger, editor of Ballot Access News, a newsletter published in San Francisco.

California polls in the past six months have shown Nader attracting between 6 percent and 11 percent of the vote, although his numbers have faded since December, a likely consequence of his all-but-invisible campaign. Nader gets almost all of his votes from Californians who would otherwise support Clinton.

"Nader is not going to get deep double digits, but he doesn't have to," says John J. Pitney, an authority-on

third-party presidential campaigns who teaches government at Claremont McKenna College in the Los Angeles area. "He provides an outlet for liberals and environmentalists who believe Bill Clinton is giving away too much to the Republicans."

Clinton leads Senate Majority Leader Robert J. Dole (Kan.), the likely Republican nominee, by about 18 points in recent California polls. If the race narrows a bit, Pitney says that Nader becomes "crucial. Nader is a brand-name here in California. He produces a real consumer response."

Nader says a strong showing for himself and the Green Party just might prove to be the beginning of the end for a two-party presidential system that he insists is suffering from dry rot.

"We are in a tremendous stagnation in presidential politics. I mean it is so massive that most observers can't see it. They can't see it! Campaigns are a minut dominated by two parties that have become fossils, that have no grass roots, that think in 30-second sound bites."

Putting down his toast in the Capital Hilton, Nader fires up that remarkably deep, chronically hoarse voice that became famous 30 years ago when General Motors hired a private detective to spy on him during his "Unsafe at Any Speed" crusade to make cars safer. "You gotta look at political campaigning the way people look at other stagnant, non-innovative, in-the-rut situations in our history before the mold was broken. Think of the auto companies and how the Germans and the Japanese came in and shook them up."

Without a stump speech, without a focus group, without any of the conventional campaign artifacts that his own supporters say he needs, Nader hopes to cause Clinton as many sleepless nights as Toyota caused GM.

For more than a quarter-century, Americans of the liberal persuasion have been urging Nader to run for president.

In an Esquire cover story in 1971, Gore Vidal wrote: "Nader's image is unique in a way that no politician's can be. . . . He strikes [voters] as entirely lacking in that lust for personal gain which is what the American way of life is all about. In a land of mangy carnivores, he is true unicorn."

For decades, the unicorn, outfitted in ugly black shoes and armed with a bottomless cache of statistics about corporate greed, had a strict rule against personal involvement in electoral politics. Above the fray and using his vast network of public interest groups, Nader lobbied and sued for safer cars, water, medicine, food, household products and cleaner politics.

His crusading persona, though, did not age well in 1980s. Major media stopped attending his news conferences. The business press—Forbes magazine in particular—cast him as an anachronism, an anti-corporate hysteric too beholden to money he receives from trial lawyers.

Nader has consistently refused to disclose details of his financial relationship with trial lawyers, other than to defend them as a special interest that stops corporations from exploiting consumers. Unlike Clinton and Dole, he refuses to disclose his income, saying tax returns "are a matter between you and the U.S. Treasury."

Nader contracted Bell's Palsy in

1986, which temporarily froze one side of his face, and he dropped out of sight for a while. When he came back, it was in 1989 in California, where he broke his rule about politics.

He did TV spots, delivered speeches at rallies and imprinted his image on a successful fight to roll back car insurance rates. That fight, buttressed by hundreds of trips to the Golden State in the past three decades, gave Nader name recognition and a perception of fearless integrity that political analysts here say could serve as a superb platform for a third-party presidential run—if he campaigns.

"Just because you are a big name and on the ballot, it doesn't mean anything. You have to do something," says Winger, editor of Ballot Access News.

Which is where the Green Party

of California comes in. It has only 83,000 members and its highest-ranking elected official serves on a town council, but the Greens desperately want to break into big-time electoral politics. They want real policy influence like the Greens in Germany.

In California, the all-purpose cure for political obscurity is fame. The most famous "kindred spirit" the Greens could think of was Nader, says Michael Feinstein, a Green organizer for Southern California.

Fifty Greens sent Nader a letter last November, offering him the party's slot on the state's presidential ballot, and to their astonishment, he said yes. (What pushed him over the edge, Nader says, was Clinton's "calous" decision to abolish the federal speed limit.)

"All of a sudden we were in a context that none of us imagined," Feinstein says. "[Nader] gives us an opportunity to present ourselves to the country at a time when people are looking for answers."

Nader's refusal to join the party, endorse its platform or campaign "is actually a wonderful fit," Feinstein explains. "A lot of Greens have said they wouldn't want anyone who wanted to be a candidate because we wouldn't trust that ambition."

In California, as across the country, Nader demands that local Greens do all the organizing and party building. He will contribute the odd speech, circulate videotapes, post position papers on the Internet, do free media—but no rallies.

"He has told us that if you guys want it to happen, do it," says Linda Martin, national chairwoman of the Draft Nader Clearinghouse. "This is a reverse Ross Perot, where the money and the organization come from the top. This is about people getting involved and taking control of the presidency."

Gonadal politics excluded, the

Greens and Nader do have common. They share a corrosion for grass-roots, conspired politics. On a nation both the candidate and his party see multinational corp as an insidious cause of polluting wages and money-rotting.

Nader can also be brutal man, he calls "George Rona ton."

"How much more moronic get than a president who in h of the Union Message in 19 it is no longer business as Washington, and then they s this letter saying that for a h grand you can dine with the dent and for fifty grand you c with the vice president. This yond hypocrisy. This is deca der says."

He would probably be ever nasty about Clinton had the dent not vetoed a product-b bill opposed by trial lawyers an sumer advocates.

By killing a law limiting the damages that consumers cou in court against corporation make defective products, the dent appeased the lawyers may have helped extinguish th in the belly of candidate Nader.

Which is on the minds of t ssembled Greens in Santa M They are viewing a couple of videotapes and listening to the cal leader explain why a famo reluctant, candidate is good them.

"Ralph doesn't have to cam on all of what we are about," stein argues.

The Greens accept this argum sort of, with the caveat that R regardless of what he says, have to come out to California often, stir up the voters and something.

THE WASHINGTON POST
TUESDAY, MAY 21, 1996

Tony / Sandy / Stone / VP

putty interviewing
what's our response

THE PRESIDENT HAS SEEN

5/28/96

Moscow and Beijing: A Declaration of Independence

President Clinton had barely left Moscow when Boris Yeltsin headed for China. There, a few days later in Shanghai, he signed a nonaggression treaty and a border agreement with the Chinese president.

It would be interesting to know how much of this project Yeltsin divulged to Clinton during their days of ostentatious camaraderie. For the communiqué represents nothing less than a declaration of independence by both Moscow and Beijing from the strategic triangle that had evolved in the two decades since Richard Nixon's opening to China. A basic premise of that triangle was that the United States place itself closer to both Beijing and Moscow than either was to the other, achieving a strong bargaining position vis-à-vis each. This new Shanghai communiqué symbolizes the demise of that process and a deliberate effort by both China and Russia to reduce America's options in Asia.

To be sure, neither China nor Russia can afford to jettison its relationship with the United States. Their rapprochement signifies not so much a break with the United States (at least not yet) as a rebalancing.

The selection of the site for the signing was no inadvertent. Shanghai was where Nixon and Zhu En-lai completed the first Sino-American communiqué, committing the signatories to opposing hegemony in Asia—which meant the Soviet Union. For Yeltsin, the second Shanghai communiqué symbolizes Russia's reemergence as an equal player; for China, it puts Washington on notice not to take China for granted.

This realignment is in large part a result of the Clinton administration's special approach to world affairs. The oscillation between an impetuous wooing of Russia and ambivalent, spasmodic harassment of China represents two sides of the same coin: rejection of any structural concept of equilibrium and the reliance on changing other countries' domestic practices as the key to international order—foreign policy is domestic politics.

In this manner, the administration has created incentives for both countries to separate themselves, at least to some extent, from the United States. The emphasis on the domestic politics of our interlocutors neglects the tectonic changes endemic to the post-Cold War world that preoccupy its leaders: the collapse of the Soviet empire, the rise of Japan, the emergence of India, the approaching superpower status of China, the unification of Europe and the democratization of Latin America.

The United States helped shape the strategy of the Cold War by putting forward programs relevant to the concerns of its partners. It has signally failed to do so with respect to the post-Cold War world. Key members of the Clinton



administration, whose views were formed in the late 1960s in protest against the policies that, after all, won the Cold War, are generally uncomfortable with anything that smacks of balance of power. Their fear is that such an emphasis deflects America from the social reforms at home and abroad on which, in their view, this country's international standing ultimately depends.

For them, Russia is a priority because it symbolizes the end of the Cold War. The Atlantic Alliance is treated as a vestige of the Cold War, and its adaptation to new circumstances, not to speak of its expansion, consequently is shunted off into endless studies. The emotional commitment of the administration is to "soft issues" that avoid a political or strategic approach as to international order: nonproliferation, the environment and human rights.

These are concerns that do require attention, but social issues can be addressed most creatively in an agreed political and security framework where adjustments are for the sake of a common goal. In the absence of overarching political or strategic objectives, stress on social issues as the principal objective of foreign policy is perceived as pressure, and produces confrontations that undermine other interests, including geopolitical ones, or doom America to irrelevance.

A conversation with Jiang Zemin relayed by President Clinton to Tom Friedman of the New York Times on April 18 provides an example. It is replete with the reflexive, underlying convictions of the protest generation: America's sins as contributing to the world's ills; the need to downgrade the emphasis on security; the assumption that social issues can, by themselves, substitute for strategic dialogue.

By his own account, the president told Jiang Zemin at the United Nations in October 1995

that the greatest threat China presented to American security was environmental, not military. If China tried to get rich in the same way America had, it would do irrevocable environmental damage to all mankind, "and it will be partly our fault." America, however, was prepared to help China avoid America's mistakes. "I could tell he hadn't thought about it just like that before," Clinton concludes dismally.

Based on long experience with Chinese leaders, I can subscribe fully to that statement. For traditional Chinese statecraft, obliged for millennia to deal with foreign invasions, emphasizes a structural and geopolitical approach. Had the president's otherwise sensible recommendations been put forward in the context of shared political objectives, they might well have opened up a new field for joint endeavors. But after Chinese leaders had been pilloried and threatened with sanctions for years and within three months of the crisis over the visit of the Taiwanese president to the United States, the evocation of social issues was bound to prove unpersuasive. Not surprisingly, four months later, the United States and China found themselves once again on a collision course over Taiwan.

Such one-sidedness has so diminished the impact of the administration's ritual affirmations that it seeks to engage, not contain, China. The trouble is that "engagement" is defined as a method for modifying Chinese institutions. Thus Defense Secretary William Perry presented the case for cooperation with the Chinese armed forces (PLA) as follows: "By engaging the PLA directly, we can help promote more openness in the Chinese national security institutions, its strategic intentions, its procurement, budgeting and operating procedures."

So long as military cooperation is justified not

on the basis of common security goals but as a kind of American tutorial to change Chinese institutions, it will be considered patronizing by a society that has been self-governing for five millennia.

This tendency is exacerbated by the threat of sanctions that the administration usually links to its various proposals (some of the sanctions, in all fairness, have been imposed by Congress). Ironically, when faced with the consequences for other interests, the administration has usually recoiled into the demeaning position of pleading with Beijing to make some—even minor—concession to provide it with an alibi not to implement the threat. The propensity for thus blackmailing ourselves erodes the credibility of the policy in Washington and produces a disrespect for American initiatives abroad.

Nevertheless, no matter how many communiqués China and Russia sign, the underlying realities of the strategic triangle continue. In terms of fundamental interests, China and Russia should be closer to the United States than to each other. It is up to American policymakers to understand this.

The missing ingredient is a serious strategic and political dialogue. World order cannot be based on the politics of equilibrium alone, but it cannot be achieved without any regard for it. For China and the United States, this requires a sustained effort to define a common assessment of the future of Asia. Social programs have their place in such a review, but they are not a substitute for it. In this connection, it is significant that Secretary of State Warren Christopher has visited Beijing but once, and that the president has met with Chinese leaders far less frequently and far more formally than with Yeltsin.

If Jiang Zemin's journey to Shanghai was made easier by American neglect, Yeltsin may well have embarked on it to escape the stifling solicitude by which the Clinton administration has sought to promote social change in Russia. Many senior administration officials act as if summits with Yeltsin are the apotheosis of a policy built around a personality: to sustain Yeltsin, to identify him with democracy, and democracy with a peaceful Russian evolution. Far too little attention is paid to the geopolitical environment. But the world's stability depends on whether Russia can be made to accept borders it has not stayed within for 400 years or whether it will resume its outward thrust.

This is not a goal to be achieved by excessive involvement in Russian domestic politics. For what passes for Russian democracy too often encourages an expansionist foreign policy. To most Russians, the collapse of the Soviet Union marked the humiliating end of an empire

achieved by 400 years of sacrifice. The return of the former Soviet republics to the motherland and reestablishment of the old strategic frontiers is, to many of them, a popular objective. Any Russian leader will appeal to these sentiments. Yeltsin's foreign policy, in effect, seeks to preempt goals being urged by his opponents. As in 1930s Germany, it is quite possible that an elected Russian leader might pursue a most unsettling foreign policy.

We have accelerated Russian revisionism by our insistence on treating Russia as a challenge to social engineering rather than to foreign policy. The Clinton administration has been slow to recognize the importance of Ukraine, with a population of 58 million and under constant pressure from Russia. Official statements have compared Russia's encouragement of civil wars in Georgia and Azerbaijan to U.N. peacekeeping activities. The administration generally ignores the pressure being exerted by Russia on the Central Asian republics, whose vast energy supplies are becoming ever more important.

America's uncritical embrace of Yeltsin may well have two effects opposite of the intention: making the Russian government believe we do not understand or are indifferent to its geopolitical thrust, and tempting assertive policies to prove that Russian leaders are not American puppets.

American policy cannot be put on hold for the slow evolution of Russian domestic institutions. It must seek to discourage Russia's latent expansionism even while we seek a relationship that makes Russia feel like an important participant in the emerging international system. As with China, the Russian-American dialogue must extend the social to the strategic agenda.

Ironically, the overemphasis on Russian policy has led us to neglect countries that do share our values and that would be much more receptive to our social agenda. Presidential visits to European capitals are less frequent and far less intense than those to Moscow. And yet the promotion of democracy should logically start with nurturing the community of democracies in the Atlantic area.

The next phase of our foreign policy must raise our sights to a political framework lest, with all the administration's tactical skills, we doom ourselves to irrelevance with respect to the great changes before the world.

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The writer, a former secretary of state, is president of Kissinger Associates, an international consulting firm that has clients with business interests in many countries abroad.



THE WHITE HOUSE
WASHINGTON

Dear D.A.R.E. America Graduate:

Congratulations to you and each of this semester's graduates of your program. I am so proud of their decision to take charge of their lives by staying away from drugs and continuing their education.

Young people today face very tough challenges. The D.A.R.E. program has prepared its graduates to make wise choices for the future. With the knowledge they have gained from the D.A.R.E. program, young people are able to make a real difference in their communities.

Each graduate will play an important role in the future of America. It is their commitment that will ensure a stronger nation and a brighter future for all of us. I commend you and them on this special accomplishment and wish the graduates every future success and happiness.

Sincerely,

Western Union is a proud sponsor of D.A.R.E.

5/28/96

To: Jim Donskind
From: Todd Stern

THE PRESIDENT HAS SEEN
5-28-96

Curcio

su nu m. Thun

Por

Health + Human Services
Substance Abuse + Mental Health
Services admin.

Public Health Service Act
Block Grants to states for
Prevention + Treatment
of Substance Abuse

Austin Jennings' note

THE WHITE HOUSE
WASHINGTON

August 4, 1995

MR. PRESIDENT:

Attached are two memos seeking your approval of (i) a plan for a sustained, year-long effort to highlight your "Common Ground" initiative and (ii) one part of that initiative, a "What's Right With America" campaign to spotlight American heroes.

(i) The "Common Ground" initiative has four elements. **Communicating Your Vision:** through a one-page Presidential *Challenge to Responsible Citizenship*, a new video, broader distribution of your speeches, and sending articles which highlight responsible citizenship to opinion leaders; **Mobilizing Leaders to Action:** targeted events where you would speak to specific sectors (religious, foundations, business); **Spotlighting Heroes:** "What's Right with America Campaign" (see below); **Demonstrating Results:** through a White House Conference in one year to report on the initiative and celebrate the *Heroes*.

(ii) The "What's Right with America" campaign is designed to "find the best and celebrate it and then relentlessly promote it." The main focus of the plan is to build into your travel schedule opportunities to visit people and programs that highlight "what's right with America." These stops would replace many of your "off-the-record" visits to diners and malls. Other elements of the plan include: setting up a national clearinghouse to share information about model programs and ideas; possibly building on the Points of Light idea to recognize local efforts beyond those you are able to visit; and the conference mentioned above.

Todd Stern
Phil Caplan

THE WHITE HOUSE
WASHINGTON

95 JUL 28 P8:46

July 28, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Alexis Herman
Melanne Verveer
Steve Silverman
Jeremy Ben-Ami
Steve Neuwirth

SUBJECT: Common Ground Initiative

You have asked us to develop a plan to take the themes of your July 6th speech at Georgetown -- common ground, responsible citizenship, and community -- and develop a sustained effort to highlight these themes throughout the country and to provide a vehicle for citizens to join your efforts to build *Common Ground*. Specific goals would be threefold:

Substance -- to mobilize in communities action that truly makes a difference.

Constituency -- to generate collaborative efforts with key groups throughout the country.

Leadership -- to demonstrate your capacity to unify Americans around these themes.

This memorandum outlines concrete activities and events for the next 12 months that would enable you to realize these goals. We request that you:

- Review these options, modify where needed, and determine which should be included in a campaign.
- Offer additional options, if any, that have not yet emerged.

We are ready to discuss this with you further.

OPTIONS

The Common Ground Initiative has four main fronts which collectively help meet the goals of substance, constituency and leadership. The fronts are:

- 1) Communicating Your Vision
- 2) Mobilizing Leaders to Action
- 3) Spotlighting Heros: What's Right with America Campaign
- 4) Demonstrating Results

1. *Communicating Your Vision*

A) Presidential "Challenge" -- Develop a one-page *Challenge to Responsible Citizenship*, based on the principles set forth in the Georgetown speech, and circulate widely to national and community leaders and organizations who are, or could be, active in working to implement your vision. Use this document (produced as a Presidential Message) as a recognizable organizing tool at the local level to guide discussions, for instance, in classrooms or in congregations.

APPROVE _____

DISAPPROVE _____

B) Relevant Speeches -- Develop innovative distribution channels to distribute copies of July 6th and other relevant addresses to groups and individuals who can play an important role in the *Initiative*. The speeches have been mailed to over 700 people invited to the speeches or considered as invitees.

C) Video -- Commission a short video that (a) incorporates parts of the July 6th speech (b) highlights some successful local models, and (c) explains the *Challenge* in more detail. The video would be used to help mobilize leaders and communities trying to act on the *Challenge*.

APPROVE _____

DISAPPROVE _____

D) Opinion Leaders/Editorial Writers -- Generate further coverage around the heartland by disseminating examples of articles which highlight *Responsible Citizenship* to sympathetic writers, columnists, and opinion leaders. Focus particularly on local/regional opinion leaders.

E) Regular Inclusion of Themes in Speeches -- The themes developed in the July 6th speech will be carried through in other speeches -- Religion, Affirmative Action and on an ongoing basis from here on.

2. *Mobilizing Leaders To Action*

A) Sector by Sector Challenges -- We are hard at work developing opportunities for you to carry your *Challenge* to the "sectors of influence." Already on the schedule are the following:

Religious -- The annual Religious Leaders Breakfast on September 8.

Foundations -- The Council on Foundations meets on September 27-29 in Washington.

Business -- A speech to the Business Council is scheduled for October 13.

In addition to these and other sector-focused events that are being considered for your schedule, you could host meetings with groups of leaders from the sectors at the White House to discuss steps they could take to build *Common Ground*.

Several creative ideas have been offered for sector challenges. For example, teachers can develop pledges for parents which commit them to assisting kids with homework and limiting hours they watch TV. Businesses can foot the bill for employees to get involved in classrooms, assisting efforts to enliven school with work. Foundations can review grants with a screen that assesses contribution to active citizenship.

APPROVE _____

DISAPPROVE _____

B) Involving Other Leaders -- You could write to other leaders such as Governors and Mayors, as well as religious leaders, educators, and heads of non-profits who have not been reached through other events and channels, to ask them to join this *Challenge*. We could send the *Challenge* document, or even the video with your letter and ask each of them to hold conferences, give speeches or visit models of *Responsible Citizenship* in their communities.

APPROVE _____

DISAPPROVE _____

3. *Spotlighting Heroes*

What is Right With America -- A separate memo is being sent to you suggesting a campaign to recognize, celebrate, and highlight real people and local initiatives that represent the best of the American community.

4. *Demonstrating Results*

White House Conference

Organize a White House Conference in one year which celebrates the *Heroes* you have spotlighted and reports to the American people some of the most innovative and creative efforts underway throughout the country that rally to your call to build *Common Ground*. We recommend deferring a decision on whether and when to hold such a conference until later in the year.

The Conference could also be billed as a report to the American people on the progress of *Common Ground Initiative* in communities, sectors, and government agencies. It would provide an excellent opportunity to bring together local initiatives you have spotlighted during the year and others you have met and worked with on these issues.

cc: The First Lady

THE WHITE HOUSE
WASHINGTON

95 JUL 28 P8:46

July 28, 1995

MEMORANDUM TO THE PRESIDENT

FROM: Don Baer
Alexis Herman
Melanne Verveer
Jeremy Ben-Ami
Steve Silverman

SUBJECT: What's Right with America Campaign

We are seeking your reaction to and approval of a proposal to begin a campaign to highlight "What's Right with America." This campaign is intended to sustain the momentum generated by the Georgetown Common Ground and subsequent speeches which have successfully developed the themes of common ground and citizen responsibility. We have met with and consulted a wide range of your advisors, inside and outside the White House, to develop this plan. This is only one component of our planned follow-up, and we are sending an accompanying memo sketching more broadly other parts of our thinking.

Purpose

The "What's Right with America" campaign will fulfill your desire, as stated at Georgetown, to "find the best and celebrate it, and then, relentlessly promote it as a model to be followed." The Campaign will allow you to demonstrate, as you said in your Inaugural Address and since, that "there isn't a thing wrong with America that can't be fixed by what's right with America" and that "you can find somewhere in America, somebody who has solved every problem you are worried about."

This campaign allows you to use the power of the Presidency to spotlight people throughout the country who are working together in their communities to solve problems. Examples might include the LEAP program in New Haven, the Ten Point Coalition in the Boston area, or NUCOR in South Carolina. Over time, the effort will bring the themes of your speeches to life in the faces and pictures of the people and communities you highlight. This will help the American people and the media better understand your message. Ultimately, bringing together the people you visit over the course of a year will make for a powerful story.

The Plan: Your Activities

At Georgetown, you said that you intend to "do even more than you have done to celebrate the things that work." Our plan, should you approve, is to build into your travel schedule on a regular basis, opportunities to drop by and visit "the things that work" and to meet with the people that make them work. These events would substitute for some of your "OTR" stops at diners or other local spots. We propose:

- You could meet with individuals, visit programs or places, or even hold roundtables with groups of community residents;
- Some of the visits could be relatively spontaneous, others might be more planned;
- From a press perspective, your stops could occasionally be open to the pool, but many could be closed to the press without losing their value. On their own, individual stops will generate significant local and regional media. Over time, their combined effect will generate national attention.

Even when you do not travel, we will propose occasional visits to people and places in D.C. or the surrounding area. We can also invite people to the White House to honor them, or set up a regular time when you can highlight What's Right with America.

The Plan: Other Components

The campaign should, however, do more than guide your scheduling. It should, as you said, "relentlessly promote" the things that work as models to be followed. We recommend a national effort, including, but not limited to, some of the following ideas:

- Setting up a national clearinghouse to share information across communities about model programs and ideas. The clearinghouse would collect examples of What's Right with America and find innovative and effective ways to share that information, including making full use of new Internet capabilities. We are working with Education, the Corporation for National and Community Service, USIA and NEH to examine how we can build on their ongoing work;
- Recognizing local efforts beyond those you visit. As you have pointed out, you kept the Points of Light Foundation, and through it we recognize people every year. We are looking into building on that process, if appropriate, to support this effort;
- Holding a national conference to bring people together who we recognize as models from around the country to talk with national leaders about the obstacles faced at the local level in replicating these models.

Kicking Off the Campaign

We do not necessarily recommend a formal kick-off for this effort. Instead, we should just start doing what you promised at Georgetown. We are looking at your visit to Charlotte, North Carolina on August 8th as a possible first stop where we could spotlight the civic journalism project started by the Charlotte Observer.

Campaign Identity

We do believe this effort needs an identity. A name for the effort -- we recommend "What's Right With America" -- will help give it shape and meaning. If you approve the name, we will work to ensure that background materials and press briefings, for instance, are put on special letterhead or specially labelled each time so that the strength and consistency of our commitment to the "What's Right with America" effort are readily apparent.

Recommendation

We are seeking your approval to begin the "What's Right With America" effort and to start scheduling such stops into your travel in August and September. With your approval, we will also convene a team from the White House and other agencies to flesh this plan out further to meet the challenge you laid out at Georgetown.

_____ Approve _____ Disapprove _____ Let's Discuss

cc: The First Lady

THE PRESIDENT HAS SEEN

5-28-96

THE WHITE HOUSE

WASHINGTON

May 17, 1996

INFORMATION

MEMORANDUM TO THE PRESIDENT

FROM:

Marcia L. Hale *MHL*

SUBJECT:

Mayor Giuliani's Phone Call

Rain

Fyi - per our discussion

Be

Mayor Giuliani called to talk with you about receiving advance confirmation of Justice Department funding for additional cops for New York City. Attached is a memo from John Schmidt which outlines the Mayors request. Giuliani will also tell you that he would like you to come to the ceremony where he inducts them into the Police Academy. This would be a ceremony of approximately 1600 officers and it would take place in early July. Feel free to tell them to talk with John about the specifics and that I will follow up. I will also keep Harold advised of the situation. You can reach the Mayor at 212.788.3040 or 212.788.3023.

Attachment

*NOT Canceled
now in for files*

NEW YORK CITY POINTS

Attached is the letter I just got from Katy Lapp.

On the new \$500 million block grant, we intend to make it as flexible as possible and to get the money out as quickly as possible -- we hope by mid-summer. Based on the best current estimates, New York State will get about \$40 million -- the City presumably gets a sizable share of that but we don't yet have a city-by-city breakdown. The process the Republicans put into the bill is very complicated -- e.g., each city has to give the Governor 20 days to comment on its application -- but we are going to try to cut through it and make it as simple as possible.

Under the COPS program, NYC has already gotten \$56.5 million. They indicate they are going to apply to renew \$39 million in grants for civilianization -- and they should get that very quickly (within weeks). There will not be other new money for grants of that kind -- the Republicans have now limited our authority to hiring grants.

NYC also says they are now going to apply to fund the hiring of new officers, which they had not previously done. It sounds like they should be able to get hiring money. We are going to send out new applications immediately (e.g., next week) and move that process along.

I'd be glad to talk to the Mayor or to Katy Lapp about any of this.

Incidentally, although it is not a lot of money, NYC is going to get a grant of \$250,000 (the maximum) under the COPS/Violence Against Women program to be announced this weekend, or early next week. These are grants to set up special police units focused on domestic violence. Even though the amount is not large, jurisdictions have been very eager to get these grants.

Attachment



THE CITY OF NEW YORK
OFFICE OF THE MAYOR
OFFICE OF THE CRIMINAL JUSTICE COORDINATOR
MUNICIPAL BUILDING • ONE CENTRE STREET • TENTH FLOOR NORTH
NEW YORK, NEW YORK 10007
(212) 788-6810

KATHERINE N. LAPP
Coordinator

May 9, 1996

The Honorable John Schmidt
Associate Attorney General
Department of Justice
Tenth Street and Constitution Avenue, NW
Washington D.C. 20530

Dear Mr. Schmidt:

I was pleased to learn that COPS FFY '96 appropriation finally passed. I know from previous discussions with your staff that it has been a very frustrating year trying to develop long-range plans based on a series of continuing resolutions. The federal budget impasse also hampered New York City's ability to plan our next application for Crime Act funding. The final appropriations bill was good news for all.

It is my understanding that the \$500 million block grant portion of the Crime Act appropriation which is to be distributed pursuant to a formula based on Part I violent crimes will be coordinated through the Office of Justice Programs. I also understand that the block grant program is designed to compliment the continued dissemination of Crime Act discretionary funding from your office. We hope that the Justice Department will build flexibility into the administration of these funds. As you know from the variety of applications you received under the COPS More program, each municipality has different law enforcement needs based on local priorities and crime problems.

As I have indicated in previous correspondence, New York City continues to experience significant fiscal problems resulting in continued down-sizing of City government. As such, over the last several months, the NYPD, like all City agencies, has experienced headcount reductions in the civilian ranks. As we assured you previously, these reductions will not affect civilians funded under our 1995 Crime Act grant or the redeployment of officers attendant thereto. However, in light of our need for civilians to perform important administrative jobs within the Police Department, we will be looking to the block grant funding for that and other important needs. Thus, New York City advocates flexibility in block grant funding so local governments can use these dollars in the most effective and efficient manner possible to enhance their particular law enforcement efforts.

D. Craig *CH* *10/1/95*
With regard to the COPS Office \$1.4 billion appropriation, as I indicated in my April correspondence to Joseph Brann, New York City is re-applying for \$39 million in civilianization renewal funding and intends to submit a request for additional monies for further civilianization, overtime and equipment grants. As I also discussed with your staff in February of this year, a lack of fiscal resources caused us to significantly reduce our 1997 Academy class from 1,500 to 795 officers in our January Financial Plan. In light thereof, the City will now be contemplating the submission of an application to the COPS Office for the hiring of police officers among other community policing initiatives. Given that the Academy class will matriculate on July 1, 1996 we are eager to receive the application for the next round of Crime Act funding and anticipate a quick turnaround. We hope that your office will once again fast-track funding for large cities.

With the assistance of FFY '95 Crime Act funding, New York City has continued to lead the nation in reducing crime, recording a 14.5% decline in serious crime in 1995 as compared to 1994 -- a decline which was seven (7) times greater than the nationwide decline and represents 27.4% of crime reduction nationwide. We are optimistic that with additional federal grant funding, this trend will continue, and we hope you will continue to consider the need for flexibility in administering these important and timely funds. I look forward to talking with you soon.

Sincerely,



Katherine N. Lapp

cc: Commissioner Safir
Joseph Brann
Craig Uchida

Mr. Curry

THE PRESIDENT HAS SEEN

5-28-96

We should keep in
touch w/ him, give him
some good info on how
we'd like out around -
he's great

BC

THE PRESIDENT HAS SEEN 5/28/96 *As Reagan* You may be surprised just a bit

AUSTIN — WELL, NOW, before the Republican side takes over the ball, let's tote up the score after the first two years of the Clinton administration.

■ The deficit is down by \$691 billion (President Clinton's plan cut \$500 billion, and the rest kicked in from economic growth). This is the first time the deficit has gone down for three years in a row since Harry Truman was president.

■ The economy (the gross domestic product) is growing at 3.4 percent. Unemployment is down to 5.8 percent — from 7.7 percent when Clinton took over. And Clinton is the only guy talking about training folks for good-paying jobs.

■ Clinton and Vice President Al Gore have cut more than 70,000 federal employees from the rolls through their "reinventing government" program.

■ Alice Rivlin and Leon Panetta get credit for no more smoke and mirrors on budget numbers; the bad habits of 12 years of Republicans are wiped out. The budget numbers are real.

■ In what may turn out to be his Most Significant Legacy, Bill Clinton's administration has started chipping away at the civil service regulations that make it so maddeningly difficult to fire incompetent federal employees.

■ Another contender for Most Significant is the earned-income tax credit — the most important part of the first budget package — a tax break for the working poor, 14 million of the most deserving families in America. It rewards those who work and gives them an incentive to stay in low-income jobs rather than go on welfare. Taxes were raised only on the wealthiest 2 percent of Americans.

■ Still another potential Most Significant: It took Clinton a long time to get his act in gear (typical Clinton), but when he did, his record for judicial appointments proved to be excellent. The American Bar Association rates 63 percent of Clinton's judicial nominees "well-qualified." That compares with Bush, 52 percent; Reagan, 53 percent; and Carter, 57 percent.

■ The Family Leave Act.

■ A national youth-service program that is already bigger than the Peace Corps at its peak.

■ An improved and expanded college loan program with a much better repayment rate.

■ A clean-up of Pentagon procurement that made \$700



Molly Ivins

toilet seats and \$800 hammers famous. Supply sergeants can now go buy at Target. Reagan and Bush were in office for 12 years and never touched the "waste, fraud and abuse" in the Pentagon procurement practices.

■ NAFTA.

■ Democracy on the way to restoration in Haiti.

■ The Brady bill.

■ The assault-weapons ban.

■ The motor-voter law makes it easier to register and vote.

The big failure was in health care. Clinton's reform plan had so many special interests out to beat it, you couldn't even count them — and they spent tens of millions to do it.

When Newt Gingrich asked pollsters last May what it would take to win the House, Republican pollster Bill McInturff told him "one of the most important predicates for Republican success was not having health care pass."

So, of course, Noot put the national interest above partisan considerations and moved to help pass health-care reform, didn't he?

The Clinton "big government" health-care plan was, of course, designed to retain the private health insurance industry. The plan was, by any way of counting, the most privatized, least statist plan of any now extant in the industrialized world.

Here are some dandy new figures from a post-election joint survey by Harvard's School of Public Policy and the Kaiser Family Foundation.

Test yourself on this, and see how close you come to right.

The Harvard-Kaiser survey asked folks to list the largest federal expense today. Thirty percent said military spending, 27 percent said foreign aid, 19 percent said welfare and 15 percent said Social Security.

Here are the correct answers:

Social Security accounts for 22 percent of total federal spending, military spending for 19 percent, foreign aid well under 2 percent and (brace yourself) welfare is just over 1 percent.

How close were you?

The Anniston Star

"Alabama's Largest Home-Owned Newspaper"

Office of the Editor and Publisher

February 27, 1996

THE PRESIDENT HAS SEEN
3/28/96

Maureen
To Baer

Fgl - fur

The President
The White House
Washington, DC 20500-2000

Dear Mr. President:

The way you are changing the symbolic structure of the Democratic Party is historically significant, as I see it. You're looking good. But the reaction of the economically and socially bypassed to Pat's message convinces me that you still need to define what's happening. People don't know. They think it's taxes.

We can't run away from global economic change, as Pat seems to think. Our character and our history--from Teddy Roosevelt, to the Southern-born Woodrow Wilson, to the South-loving FDR--tell us we can confront change, and beat it. Define the problem for us, and inspire us for the tussle with your wonderfully optimistic speeches.

Just checking in. A reply isn't expected.

Cheers!

HBA
H. Brandt Ayers
HBA: bjh
Enclosure

OUT HERE

For release Sunday, March 3

PARTIES SWITCHING SYMBOLS

By Brandt Ayers

National symbols are being transferred between the two parties, and the leader who manages the exchange best will lead a victorious party into the 21st century.

The Republican Party has absorbed George Wallace's anti-federal government, states rights message. But the man endorsed by the former Alabama governor, Bob Dole, isn't like the Wallace of yesteryear -- champion of socially scorned, economically anxious working-class whites against establishment big shots -- whose rhetoric is tinged with racism, violence and outrageously "incorrect" humor. That man, of course, is Pat Buchanan.

President Clinton sounds sunnier, at ease with national symbols that are in harmony with the moral realities of most Americans' daily lives. His speeches are drawing nods -- "That's what I believe." If the President is able to sustain a message that beckons to disaffected Democrats, independents and Perot voters, we could be witnessing another historic political transformation.

Expatriate Democrats are nostalgic about their former loyalty -- "I didn't leave the Democratic Party. The Party left me." The Party did leave them in the 1970s, when George McGovern led a children's crusade to what average work-a-day Americans saw as a zanyland of pot, protests and promiscuity.

The right and righteous civil rights crusade was converted into an oh-so-precious super-sensitivity to such outlandishly radical groups as the Black Panthers. Disagreement with Vietnam policy was twisted into a hate-thy-country anti-patriotism.

The Democrats' obsession with intellectual abstractions in preference to normal and healthy popular feelings reached a nadir in Massachusetts. By an

overwhelming margin, voters there agreed to make the Pledge of Allegiance mandatory in schools. Gov. Michael Dukakis showed his passionless colors by taking the issue to the State Supreme Court.

No wonder George Bush, in a race billed as "the evil of two lessers," blew Dukakis away with the Pledge in the 1988 Presidential election. When President Clinton discounted his role as Commander-in-Chief in favor of a marginal interest, homosexuals, many believed he was one of *those* Democrats.

That was a Democratic Party which made Jesse Jackson an icon to be coddled and courted -- not the leader of a Democratic special interest group, sulking today because he isn't first among equals. It was a Party which might have flinched from criticizing Louis Farrakhan's despicable cozying up to the mullahs of Iran, Saddam Hussein in Iraq, and Libyan dictator, Muammar Gaddafi.

No more. Not the way the Democratic Party is now being defined by its titular head, Bill Clinton. For instance, when Farrakhan led his Million Man March on Oct. 16, the President wasn't in the city.

He was making a speech in Austin at the University of Texas where applause greeted his assertion, "One million men are right to be standing up for personal responsibility. But one million men do not make right one man's message of malice and division."

One of the themes which the President has consistently sounded is that we should look honestly in the national mirror about the state of our human relations, saying, "We're better than that." But in his Texas speech he separated prejudice from conditions that are frightening to anyone:

"It isn't racist for a parent to pull his or her child close when walking through a high-crime neighborhood... It isn't racist for whites to assert that the culture of welfare dependency, out-of-wedlock pregnancy and absent fatherhood cannot be broken by social programs unless there is first more personal responsibility."

Gone is the old, abject Democratic rhetoric, burdened by guilt, populated by victims of society's prejudice -- which fair-minded citizens took as unfair personal criticism. In its place, the President has taken to drawing pictures of normality -- where most black citizens, just like most whites, work hard, go to church, pay their taxes and regard their children with concern, hope and pride.

Sounding the traditional theme of national unity in his Austin address, he told a responsive crowd that the nation doesn't want that picture disturbed by racism's many masks:

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

A collection of angry Republican interest groups -- anti-abortion, anti-gun control, anti-immigrant, anti-establishment, anti-this and anti-that -- is giving the GOP primary a confused and pessimistic portrait. And Bill Clinton is radiating an almost Reaganesque optimism.

If he can resist his inclination to follow the scent of every new idea that crosses his path, and stays on message with bloodhound tenacity, history might one day say that he revived and redefined the Democratic Party.

THE PRESIDENT HAS SEEN

5/28/96

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Demographic Study Paints Picture of Single-Parent Families. The Census Bureau reports that single-parent families make up more than 30 percent of American households with children, with most such families headed by women. Single parenthood was particularly prevalent among African Americans: 65 percent of black families were headed by a single parent, compared to 25 percent for whites. These figures represent an enormous increase for both groups since 1970, when only 35 percent of black families and 10 percent of white families were headed by a single parent. About 38 percent of single parents in 1994 had never been married. More than one in five single parents neither owned nor rented their own home, but instead were living with relatives or other acquaintances.

✓
Baker
H
R
B

5-28-96

*Bill Clinton*Guns~~pos~~ poss addition to new

— new home owners

— avg. savings on Mortgage
use of lower interest rates from re. plan.— people took advantage
of Fair Lender (Doesn't the House
say 1 in 6? How many is that?)Avg #s on jobs, business use of
SBA loans, ATM (Mold defense conversion
efforts?)*President of the United States*

THE PRESIDENT HAS SEEN 5/28/96
 phis or Birmingham. It boomed because of a moderate | Construction is everywhere. In a city that prides itself on racial climate and internationally mir Coca-Cola, Atlanta's hometown con through the embarrassment of havin Brazil be subjected to Jim Crow. An alli leaders, led by Coke's Robert Woodruf blacks forged a change in the city's cu away from segregation ahead of the re The tolerant racial climate was good for ing corporations, Northern migrants South's first Major League baseball Braves, in 1966. Now the state is c Olympics, the epitome of goodwill and

1000 (Gomick / Bur / M Deem)
Amberis / Petr / Kinger

THE PRESIDENT HAS SEEN

5/28/96

Attack dogs

One thing Bob Dole knows how to do: blame people. After his poor showing in New Hampshire and Delaware, he lambasted rosy internal polls and his campaign's reliance on negative ads. So he fired his chief pollsters, Bill McInturff and Neil Newhouse, and pushed out deputy campaign chairman William Lacy. He was determined, he implied, to turn positive and avoid polling errors in the future. Strange. The polls McInturff and Newhouse had provided—26 percent in New Hampshire (one point off) and 27 percent in Delaware (dead-on)—were models of professional accuracy. Stranger still, the replacements Dole has hired are far more negative than their predecessors. In fact, the new guys—Tony Fabrizio, Fred Steeper and Don Sipple—are widely acknowledged by political professionals to be the hardest and nastiest right-wing operatives around.

What the appointments suggest is that the key to Dole's post-Georgia campaign won't be a "new Bob Dole" or a fight for the "heart and soul" of the Republican Party, but a brutal lunge for the rhetoric and constituency of the Buchananites. Dole's new chief pollster, Fabrizio, worked for Buchanan briefly in 1992. Dole's new adviser, Fred Steeper, has argued that isolationism is the only foreign policy that can win elections. And Sipple, Dole's new chief strategist, is arguably the GOP's meanest attack-ad wizard.

Fabrizio is probably the best known of the three. After studying under New York GOP pollster Arthur Finkelstein, he formed his own ultra-conservative firm whose clients included the Christian Coalition and—to the annoyance of the Republican Party—firebrands who challenged moderate GOP incumbents.

Fabrizio's supplanting of McInturff and Newhouse was the latest twist in a long rivalry. In 1992, Fabrizio and three other pollsters challenged McInturff and Newhouse's post-election survey, which warned that Bush lost because many voters viewed the GOP as narrow-minded. Fabrizio argued, in contrast, that the Republicans had gotten away from their conservative roots. He has argued that in future elections Republicans need to press hard on character issues. One example of what Bush should have done, Fabrizio argued in *Harper's* magazine, was run a 1-900-GENIFER (sic) line. When callers dialed, Fabrizio suggested, they could "press 1 to hear Clinton talking to Gennifer Flowers; press 2 to hear Clinton flip-flop on the draft..."

Sound distasteful? Not to Fabrizio, who in 1988 dreamed up the famous Willie Horton ad and shielded the Bush campaign by producing it through an independent group called Americans for Bush. While Dole has said he is pulling all his own attack ads, he has revealingly refused to say he'll stop independent ads on his behalf.

Dole claims that negative ads have debased this spring's GOP primaries, but Fabrizio disagrees. "Negative ads are the most informative ads we see on TV," he told political strategists at a 1992 training seminar. His most fervent co-believer is Dole's new media strategist, Don Sipple, also a master of the Horton genre.

In a crime spot for Illinois Governor Jim Edgar, Sipple used grainy images and an ominous voice-over: "Crime in Illinois: more random, more violent. Criminals younger and younger." In an ad for Governor Pete Wilson, illegal immigrants were shown sprinting across the border while Wagnerian music played. Sipple's philosophy is that negative ads draw a candi-

date's constituency to the polls. "Running on your record doesn't go very far," he told *The Dallas Morning News* shortly before the 1994 election. "People don't think the past is particularly relevant. Their concern is about the future." So much for the candidate of experience.

The third new Dole hire, Fred Steeper, will advise the campaign on policy. If Fabrizio and Sipple are likely to intensify the negativity, Steeper will try to coopt Buchananism. On affirmative action, Steeper says candidates should tap into voter anger about quotas. On foreign policy he says the public's attitude is America first. On free trade, Steeper told *The Christian Science Monitor* in 1991, candidates can't win on any platform except protectionism: "There is not a political base for free trade. Only college-educated people understand the benefits." And Steeper specializes in the electoral advantages of scapegoating homosexuals: "Deep down, even those against rights for blacks believed the discrimination was wrong, and most felt guilty about it," he told *The Washington Post*. "For the 45 percent opposed to the homosexual lifestyle, deep down they think they are morally right."

So much for a kinder, gentler Bob Dole. More likely is a fall strategy that goes full-throttle after the president's character. Steeper and Sipple both described Bush's failure to go directly after Clinton's character as a central weakness in his campaign. "They have to throw darts at one bull's eye," Sipple explained in *The New York Times* just weeks before the election. "It has to be Clinton's credibility. I would deal with it very explicitly. Just frame it there at the top of the commercial: How much can we really trust Bill Clinton?" But, with friends like these, how much can we really trust Bob Dole?

STEPHEN GLASS

THE PRESIDENT HAS SEEN

5-28-96

MEMO TO: PRESIDENT  CLINTON

FROM: GARRY MAURO

DATE: MAY 24, 1996

Handwritten: P (clay) / 5014

The latest Harrison Hickman Poll done in Texas for the Democratic Senatorial Campaign Committee is encouraging. It was completed last week.

All voters:

Gramm	43
Morales	40
Clinton	46
Dole	41
Clinton	41
Dole	38
Perot	8

THE PRESIDENT HAS SEEN ^{5/7}
5-28-96

Memorandum

From: VICTORIA L. RADD

To: Mr. President

① The attached article outlines the importance of the OLC position at Justice.

② I know each of the candidates you may be considering.

Please let me know if my thoughts would help your decision-making process.

V.

At Justice, Contenders Vie For Sensitive Legal Post

BY CHARLES FINNIE

A three-way, behind-the-scenes contest has broken out to head the Justice Department's influential Office of Legal Counsel—where legal judgments critical to the Clinton administration could be made this election year.

According to Justice Depart-

ment and White House officials, the leading candidates to succeed Walter Dellinger are top antitrust Deputy Assistant Attorney General Joel Klein, Associate Deputy Attorney General Seth Waxman, and George Washington University law Professor Beth Nolan.

SEE OLC, PAGE 16

An associate White House counsel, Elena Kagan, has also received close attention, but no longer is considered in the first tier, one top Justice Department official says.

The person chosen by President Bill Clinton and Attorney General Janet Reno is likely to take over from Office of Legal Counsel Assistant Attorney General Dellinger before July, when Dellinger becomes acting solicitor general.

"The president and the White House relied a lot on Walter's office," says one top Justice Department lawyer, who requests anonymity. "There's a desire to have somebody succeed him with the same stature and confidence."

The Office of Legal Counsel (OLC) provides often sensitive legal guidance to the Justice Department, to the White House, and to the executive agencies on new policy initiatives. The office also formulates the department's response to key Supreme Court rulings and major legislation.

In the next few months, the new legal counsel may face several politically charged issues. Among them: assessing the legal implications of congressional proposals to curb affirmative action on the federal level and responding to congressional demands for White House documents in the travel office investigation.

Under both Republican and Democratic administrations, the office has been open to charges of partisanship—of allowing a president's policies to drive its opinions.

Dellinger, widely respected by Democrats and Republicans and generally liked because of his engaging sense of humor, has not been immune to the criticism. His successor will face similar on-the-job scrutiny.

"It's important for the department to step to the plate to defend the constitution-

al prerogatives of Congress, as well as the White House," says Republican lawyer Michael Carvin.

The temptation to hew to the president's political agenda is always there, says Carvin, who was a deputy assistant attorney general for legal counsel in Ronald Reagan's first administration. Now a partner at D.C.'s Shaw, Pittman, Potts & Trowbridge, Carvin notes that the kind of issue that could put the next legal counsel on the hot seat arose just last week when Rep. William Clinger Jr. (R-Pa.) clashed with White House Counsel John "Jack" Quinn over the administration's failure to turn over subpoenaed documents.

Clinger's House panel investigating the 1993 White House travel office firings voted to hold the White House in contempt of Congress, after negotiations over release of the documents broke down and Quinn said that the White House would claim executive privilege.

Carvin says the policy decision to invoke that privilege would be made by the president and Quinn, but the Office of Legal Counsel probably would be called on to provide a legal rationale.

Republican lawyer Timothy Flanigan, who became OLC assistant attorney general during the end of the Bush administration, said he faced the same political circumstance that awaits Dellinger's successor—a White House and Congress controlled by opposing political parties.

Flanigan, of counsel at Mayer, Brown & Platt, predicted the next OLC head will be called "to help the president do things by himself by executive order."

The decision about who will next walk the political-legal tightrope as head of the OLC may be complicated by the fact that each of the three main candidates boasts highly influential supporters.

A Top DOJ Post Draws Considerable Interest

THE PRESIDENT HAS SEEN

8-28-96

The contenders either did not return telephone calls or declined comment for this article.

Klein, the principal deputy assistant attorney general for antitrust matters, has the closest political ties to the president. According to a top administration official, Klein also has Vice President Albert Gore Jr.'s endorsement to succeed Dellinger.

Before joining the Antitrust Division a year ago, Klein served as deputy counsel to the president under the three former White House counsel—Bernard Nussbaum, Lloyd Cutler, and Abner Mikva.

In 1992, Klein performed legal work for the Clinton-Gore campaign. Until then, however, he was best known in Washington for being one of the founders of Onek, Klein & Farr, a firm that during its heyday was considered the city's premier Supreme Court litigation boutique.

Despite Klein's heavyweight credentials and the vice president's support, he is not considered a shoo-in to succeed Dellinger, says one top administration official.

Having served as the second-ranking lawyer in the White House counsel's office for two years, "he had his share of battles," says the official, speaking on condition of anonymity.

Although he declines to identify the subject of those dust-ups, the official adds, those confrontations left behind both backers and detractors for Klein inside the West Wing.

Waxman, formerly a partner at Miller, Cassidy, Larroca & Lewin, joined the Justice Department after his former law partner, Jamie Gorelick, was named deputy attorney general, the department's second in command.

He is Gorelick's point man on immigration affairs—and by extension on the administration's high-profile Southwest border initiative to beef up immigration and drug-law enforcement.

An expert on capital-defense appeals from his days in private practice, Waxman also reviews trial court rulings for possible appeal in the department's criminal and civil cases.

Legal Times 5/20/96

The lawyer cites Dellinger's opinion challenging a short-lived legislative requirement that members of the U.S. armed forces who test positive for the AIDS virus be discharged.

This lawyer says that Dellinger tried to have it both ways on the rule and on an early administration policy on removing openly gay people from the armed services.

Dellinger found no "rational basis" for the statute barring HIV-positive soldiers, although the administration claimed its controversial "Don't Ask, Don't Tell" policy excludes many gay people from the service passed the test of rationality.

"My view was the [HIV] law is stupid," the lawyer says. "But the OLC legal conclusions were mutually exclusive."

Other Republicans fault Dellinger's work on a Clinton executive order banning federal contracts with firms that employ placement workers. The order was later rejected by the U.S. Court of Appeals for the District of Columbia.

Dellinger's Capitol Hill testimony that a proposed balanced-budget constitutional amendment is legally unenforceable also drew eyebrows. Dellinger was unavailable for comment.

Because the OLC chief often works at

the intersection of law and partisan politics, the choice of Dellinger's successor will be watched closely in political as well as legal circles.

For two of the candidates, Klein and Nolan, their association with one of the most controversial legal figures of the Clinton administration, Bernard Nussbaum, could make their selection particularly sensitive.

No administration lawyer has drawn more Republican fire than Nussbaum, President Clinton's first White House counsel. Continuing GOP suspicions of his conduct may diminish the chances of Klein or Nolan, both of whom worked under Nussbaum.

Republican lawmakers accuse White House lawyers from those days of a number of improprieties. They include obtaining information about a Resolution Trust Corp. investigation of an Arkansas thrift with ties to the Clintons; thwarting Federal Bureau of Investigation access to the office of the late former Deputy Counsel Vincent Foster; and failure to disclose details of a briefing to the Clintons' personal lawyers.

But under the administration's plans for filling the OLC post, the new occupant will not require Senate confirmation, which serves to mute concern about a GOP assault on the eventual selection.

No confirmation hearing is required because Dellinger—who is replacing the



While Walter Dellinger won kudos for his OLC tenure, critics said he was political.

outgoing solicitor general, Drew Days III, in an "acting" capacity—will technically retain his present title of OLC assistant attorney general.

The same circumstances mean Dellinger would not require confirmation for his new administration role, either.

Republican lawyer Theodore Olson, the OLC assistant attorney general during the Reagan administration's first term, argues

that association with the Nussbaum-led White House counsel's office should not be a factor.

"I think people should be judged individually," Olson says, adding that he counts Nolan a close friend.

If service under Nussbaum is viewed with disfavor, it may be that Nolan is inoculated from potential partisan sniping, while Klein is not.

Before first joining the GW faculty, Nolan, a Democrat, served from 1981 to 1985 as an OLC deputy assistant attorney general under Olson, a Republican.

Her principal responsibility: Interpreting the government's conflict of interest statutes.

"She would be wonderful," says Olson, a partner in the D.C. office of Los Angeles' Gibson, Dunn & Crutcher. "She's very intelligent, extremely conscientious. I have the greatest respect for her integrity. I can't think of anyone I would endorse more enthusiastically."

One top Justice Department lawyer says one unlikely alternative to any of the candidates would be to elevate one of the current crop of OLC deputies.

Another Justice Department official says that whatever the decision, it will be made soon because the person will need some time to overlap with Dellinger before he leaves for the solicitor general's office. ■

A top Justice Department official says Gorelick, who counts Waxman as perhaps her closest professional associate, is nonetheless committed to keep her "finger off the scale" when it comes time for Reno's call on the matter.

Nolan, a George Washington University Law School legal ethics scholar, served as associate White House counsel—under Klein, who, as deputy counsel, was the second-ranking lawyer.

A top administration official says that Nolan has support from within the current White House counsel's office but Quinn, its top lawyer, is trying to remain neutral.

Although Nolan is considered well-qualified for the post, one high-ranking Justice Department official says it would be "extraordinary" to pass over Klein or Waxman and reach outside the administration for Dellinger's replacement.

White House associate counsel Kagan, at 36, is the youngest among those given serious consideration for the post.

She is backed by Sen. Joseph Biden Jr. of Delaware, the Senate Judiciary Committee's ranking Democrat. A former University of Chicago law professor, Kagan worked for Biden in 1993, when he chaired the panel.

She is also a former litigation associate at Williams & Connolly, the Washington law firm that represents the president and first lady Hillary Rodham Clinton in the couple's Whitewater-related legal matters.

The next head of OLC, whoever it is, will find it hard to match Dellinger's stellar reputation in liberal legal circles, where his intellect and wit were much admired. His shoes will be hard to fill, say top Justice Department officials.

"I frankly cannot imagine a better tenure," Gorelick says. "He is brilliant, funny, and a consensus builder. His force of intellect and grasp of the practical context are unmatched."

On the other hand, Dellinger was sometimes criticized for trimming to the political winds.

One critic, a former Republican OLC lawyer who requests anonymity, says that Dellinger's handling of some matters had a "politically perfumery" quality.



The leading candidates to take over at the Office of Legal Counsel are (clockwise, from top left) Beth Nolan, Joel Klein, and Seth Waxman.

THE PRESIDENT HAS SEEN

8-28-96

THE WHITE HOUSE

WASHINGTON

May 21, 1996

MR. PRESIDENT:

Attached is a memo from Jack Quinn recommending that you meet with or call the Attorney General concerning the appointment of an acting head of the Office of Legal Counsel. The acting head will replace Walter Dellinger, who will in turn become Acting Solicitor General after Drew Days steps down this summer.

Jack's memo outlines three different options. He prefers the first and wants to discuss this with you further.

I have copied this memo to the Vice President, Leon, Harold, Evelyn and Melanne.

Todd Stern

Jack
Nancy to discuss
(Win #1, would selectivity
Do 2 (given no other way)
only to Jack
BS

THE PRESIDENT HAS SEEN
5-28-96

96 MAY 21 P2:35

THE WHITE HOUSE
WASHINGTON

May 17, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: JACK QUINN

SUBJECT: MEETING OR PHONE CALL WITH THE ATTORNEY
GENERAL ON PERSONNEL

I have previously spoken to you about the fact that Solicitor General Drew Days will step down this summer to return to Yale Law School and that, when he does, Walter Dellinger will serve as Acting Solicitor General. As you know, this occasions a decision about who will take Walter's place running the Justice Department's Office of Legal Counsel.

The only decision you need to make at this time is to select a temporary head of OLC; it is highly unlikely that any permanent replacement would be confirmed before your reelection. Each of the candidates, however, will expect to be the eventual nominee.

It is important that you either see the Attorney General or call her on the phone about this matter. She expects to have a conversation with you and, if we put this off until Walter moves at the end of June, it will be argued that you have less flexibility in making a choice and can choose only from the people presently at DOJ.

Identified below are what I see as the most reasonable options.

Option 1:

Part A: Acting Head of OLC: Beth Nolan or Elena Kagan

Part B: Deputy Solicitor General: Joel Klein

Explanation: This option would place Elena or Beth in the top OLC position. Either would do a terrific job for you.

The Attorney General may object to Beth and Elena on the ground that a new person should not be brought in from the outside at this late date. That, however, is just a reason to put one of them in as a deputy immediately; she would move up as Acting Head of the office this

summer. And, Beth, having been at OLC for four years, is no stranger to its workings.

Of Elena, it is also said that it is unacceptable to the Attorney General to bring in a person directly from the White House because this will "politicize" the function of OLC. That is simply not true and unfairly impugns Elena's ability to exercise independent judgment.

Part B of this option would position Joel in the office that he hopes eventually to head and where his talents would, in my view, be better utilized. (Note that you do not need to make the "Part B" decision, but it is available to you should you find it helpful.)

Option 2:

Part A: Acting Head of OLC: Seth Waxman
 Principal Deputy of OLC: Beth Nolan or Elena Kagan

Part B: Deputy Solicitor General: Joel Klein

Explanation: This option places Seth Waxman in the position where the AG desires to have him. On the other hand, this option makes the least sense, it seems to me, given that Seth is no more qualified than the other candidates and has no particular connection to you or the White House generally. We are led to believe, by the way, that Seth intends to move on, probably back to the private sector, in January, thus creating the opportunity for Elena or Beth to move up. (This could well change, of course, once Seth were placed in charge on a temporary basis.) If, therefore, you were to incline toward this option, you could indicate that Seth should only serve in this position until January and that Elena or Beth should at that time be considered a very serious candidate to succeed him. If Seth were to seek to remain at DOJ, we would urge that he be put in a different slot after January.

Option 3:

Part A: Acting Head of OLC: Joel Klein
 Principal Deputy of OLC: Beth Nolan or Elena Kagan

Part B: Deputy Solicitor General: Seth Waxman

Explanation: This arrangement would put Joel in the position he currently desires. And, if Walter were to remain in the Solicitor General's office after January, Joel could be considered to head OLC on a permanent basis.

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Jack Quinn to POTUS re: Meeting or Phone Call [partial] (1 page)	05/17/1996	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
Todd Stern
OA/Box Number: 7697

FOLDER TITLE:

Chron Files May 27-31, 1996: Tuesday, May 28, 1996 [1]

2019-0774-S

rs3319

RESTRICTION CODES

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

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

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

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

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

RR. Document will be reviewed upon request.

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

If both Walter and Joel were to move on, then Elena or Beth would have an opportunity to move up to head of OLC. I am dubious, however, that either Elena or Beth would take a deputy position under Joel.

(b)(6)

RECOMMENDATION:

As I have told you previously, I will work hard to make any one of these options that you may prefer work well.

I prefer Option 1. I have a real sense of personal commitment and loyalty to both Beth and Elena, and I am confident that either of them would do a terrific job for you in this capacity. I can and will speak to you privately about their relative merits. Between them, however, the Deputy Attorney General and Walter (and I believe the Attorney General) would clearly prefer Beth -- on the basis of her having had four years of experience working at OLC and being older (44 years old, compared to Elena's 36 years old), as well as because Beth was on the Attorney General's vetting team and, so, has a relationship with her.

Based on all of this, I recommend that you select either Beth Nolan or Elena Kagan and, again, will discuss their relative merits with you in person.

cc: Bob Nash



Elena Kagan is an Associate Counsel to the President. She is on leave as a Professor at the University of Chicago Law School (1991-1995). She taught courses in Constitutional Law (First Amendment, Equal Protection and Due Process), Labor Law and Civil Procedure. During the summer of 1993, Ms. Kagan served the Senate Judiciary Committee as the principal aide for Ruth Bader Ginsburg's confirmation hearings. Before going to Chicago, Ms. Kagan was a litigation associate at Williams & Connolly (1989-1991). She received her B.A. from Princeton University (*summa cum laude*, Phi Beta Kappa), an M. Phil. in politics from Oxford, and her law degree *magna cum laude* from Harvard Law School. She clerked on the U.S. Court of Appeals for the D.C. Circuit and then (for Justice Marshall) on the Supreme Court. Ms. Kagan has written extensively on constitutional law issues. At age 36 she is as old or older than two of the people who ran OLC in the last 10 years (Mike Luttig under Bush and Charles Cooper under Reagan).

Joel Klein is currently the Principal Deputy Assistant Attorney General of the Antitrust Division at the DOJ. From 1993-1995, Mr. Klein served as Deputy Counsel to the President. Previously, he was a partner of the appellate litigation law firm of Klein, Farr, Smith & Taranto, and, before that, partner at the D.C. litigation firm of Rogovin, Stern & Huge. Mr. Klein has argued ten cases before the U.S. Supreme Court and twenty cases before the various federal courts of appeals. He received his B.A. *magna cum laude* from Columbia College and graduated *magna cum laude* from Harvard University. He clerked on the U.S. Court of Appeals for the D.C. Circuit and then (for Justice Powell) on the Supreme Court. Joel has passionate supporters and detractors. The Vice President and Mack McLarty have indicated their strong support of Joel's running OLC. Others, both in my office and elsewhere in the West Wing, feel strongly that he should not.

Beth Nolan is a Professor at George Washington University Law School. She returned to G.W. after serving as an Associate Counsel to the President (1993-1995). Before joining the faculty of G.W. in 1985, Ms. Nolan was an Attorney-Adviser in the Office of Legal Counsel at DOJ (1981-1985). She graduated *magna cum laude* from Georgetown University Law Center in 1980 and clerked on the U.S. Court of Appeals for the Third Circuit. She has written extensively in the area of ethics, conflicts and constitutional issues. Bruce Lindsey, Cheryl Mills and others who worked with her in the counsel's office voice great respect for her talent, her legal skills and her dedication to service in this Administration. Bruce and Cheryl support Beth's selection.

Seth Waxman is an Associate Deputy Attorney General at DOJ and, as such, works for Jamie Gorelick. Prior to joining the Clinton Administration, he was Jamie's partner (1991-1994) at the Washington law firm of Miller, Cassidy, Larroca & Lewin where he had practiced since 1978. Mr. Waxman received his Bachelor of Arts *summa cum laude* from Harvard College and his law degree from Yale Law School, where he was the Managing Editor of the Yale Law Journal. The Attorney General and the Deputy Attorney General support Seth's selection.

5-28-96

W/C
H/C
Bees
C/C

WHITE HOUSE
WASHINGTON

May 21, 1996

Rita Wohlgemuth
Post Office Box 962
Greenwood, Arkansas 72936

Dear Rita:

Thank you for writing to share with me your story of raising your two children alone, with the help of food stamps and Medicaid. I am gratified that assistance was available when you needed it most, but that you have had the ability, initiative and courage to pursue further education and work hard to make a better life for yourself.

I appreciate your expression of support for my efforts on behalf of older Americans. Rest assured that my Administration will continue to move forward toward goals to make positive, meaningful differences for all of our citizens.

I am grateful for your prayerful support. Take care and God bless.

Sincerely,

Bill Clinton

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

May 16, 1996

Dear President Clinton:

I know you receive many letters from many different people, so many that I'm sure you do not have enough time to read them all. However, I have been wanting you thank you and Mrs. Clinton for a long time.

I am a forty-four year old woman and I have raised two children by myself except for the help of food stamps and medicaid. But now my children are grown. My son is disabled from a job injury but manages to work and survive. My daughter, has just finished the Nursing program at a local college. But Mr. President this is what I am doing and why I am writing.

I am in my third year of the Paralegal program at the same college my daughter was at. I am almost finished and am currently working with a wonderful lawyer. My point Mr. Clinton is that had it not been for the educational and from the governmental programs, I would always have to rely on food stamps. You Mr. President are our only hope for these programs. Without them we older Americans, who have raised our children and now are faced with a decision of how to support ourselves the rest of our lives have no hope.

Mr. President, you and the First Lady are our voices. Please continue to speak for us and to speak very loudly. I know you take alot of bad mouthing from alot of people, but there are many of us who want to thank you for all of your hard work. Keep up the good work. Our love and prayers are with you.

Sincerely,

Rita Wohlgemuth

Rita Wohlgemuth
P.O. Box 962
Greenwood, Ar. 72936

~~Do~~ you want us to
be sure Lee Schaffer
is at the Houston
event? —

Y

5-28-96

Todd -

Should we send a
copy to Scheduling/
Advance?

Yes ☒

No ☐

C.

✓
May 13, 1996

Dear Mr. President,

I just wanted to express, on behalf of Mother and myself, how appreciative we are that you went to such great lengths to see us on Thursday of last week. Your staff was extraordinarily kind and gracious, as were you yourself.

Thank you also for your kind invitation to return. I hope to see you again soon.

Sincerely,
Liz Schiffman

THE PRESIDENT HAS SEEN

5-27-96

THE WHITE HOUSE

WASHINGTON

May 24, 1996

MR. PRESIDENT:

Attached is a set of materials from Jack Quinn concerning the assertion of executive privilege over certain documents related to the House inquiry into the Travel Office matter. Your action is required on two of the attached documents (marked up tabs). **Because the House may vote on the contempt resolution as early as Wednesday, May 29, Jack asks that you decide this matter before the end of the Memorial Day weekend.** Items in the package:

- Jack's decision memo. In light of our consultation with Justice, Jack recommends that about 1,000 pages be produced and 2,000 be withheld on executive privilege grounds. *You need to note your approval or disapproval.*
- A copy of Jack's May 8 memo and AG's May 8 letter to you on executive privilege. (Tab I)
- AG's May 23 letter concurring in the identification of privileged documents. (Tab II)
- Index of privileged documents. (Tab III)
- Your memorandum to Jack asserting executive privilege over the designated documents. *If you agree on the assertion of executive privilege, you need to sign this memorandum where indicated.* (Tab IV)


Todd Stern

THE PRESIDENT HAS SEEN
5-27-96

THE WHITE HOUSE
WASHINGTON

96 MAY 23 16:56

May 23, 1996

Mr. President:

Enclosed is a package of materials on the assertion of executive privilege over specific documents related to the House inquiry on the Travel Office matter. It is a detailed presentation, but only to the extent necessary to allow you to make a well founded and appropriately documented decision to assert executive privilege. I think you will find the materials straightforward.

The House vote on the contempt resolution may occur as early as Wednesday, the 29th. In advance of that, we must both assert privilege over particular documents and release to the House Committee other documents over which you will not assert privilege. Accordingly, we need your decision before the end of the Memorial Day weekend.

I am traveling to Maine tomorrow, May 24, to attend my son Jonathan's graduation from Bowdoin on Saturday morning. But, I am readily available through Signal throughout the weekend and am eager to discuss with you anything here about which you may have questions.

Many thanks.



Jack Quinn

5-27-96

THE WHITE HOUSE

WASHINGTON

May 23, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: JACK QUINN

SUBJECT: FINAL DETERMINATION OF EXECUTIVE
PRIVILEGE IN THE TRAVEL OFFICE MATTER

I. Purpose

This is a follow-up to my memorandum of May 8, 1996, concerning the assertion of executive privilege over certain categories of documents that have been subpoenaed by the Committee on Government Reform and Oversight of the House of Representatives. (A copy of that memorandum is appended at Tab I for your reference.) After reviewing that memorandum, and with the advice of the Attorney General, you directed the assertion of executive privilege, on a protective basis, with respect to those categories of documents, in order to provide an opportunity for us to review the documents at issue with the Department of Justice pursuant to procedures first established in the Reagan Administration and adhered to by yours.

For the reasons described below, I now recommend that a final determination to assert executive privilege be made with respect to some, but not all, of the documents. The Attorney General's letter setting forth her position that this assertion of privilege is proper, is appended at Tab II.

II. Background

As I discussed in my earlier memorandum, in connection with its investigation of the Travel Office matter, the House Committee issued subpoenas which demanded the production of confidential documents from the files of the Office of Counsel to the President. And, as I further explained, we had anticipated that we would continue our efforts with the Committee to reach an accommodation with respect to these documents. On May 2, 1996, however, the Chairman of the Committee terminated that process and demanded immediate production of all documents responsive to his Committee's sweeping subpoenas. The Chairman informed us that if all documents were not produced on or before May 9, 1996,

he would present a resolution to the full Committee citing me for criminal contempt of Congress.

In light of the Chairman's precipitous action, I recommended that you assert executive privilege as a protective matter with respect to the entire body of Counsel Office material that had been the subject of our accommodation efforts. You agreed and instructed me at that time to so advise the Committee. I did so and, on May 9, the Committee voted (along party lines) to refer a contempt citation to the full House of Representatives.

We have now completed our review of the documents in question in consultation with the Department of Justice. Approximately 1,000 pages are being produced to the Committee as a result of that review. The remaining documents, amounting to approximately 2,000 pages, identified on the executive privilege document index appended at Tab III, constitute confidential communications generated in the course of providing advice and assistance to you or senior White House officials with respect to ongoing congressional or Independent Counsel investigations.

We expect a vote by the House of Representatives on the contempt resolution on next Wednesday, May 29, or shortly thereafter. A final determination as to whether to assert executive privilege with respect to these documents is required before that time because, if you do not wish to assert executive privilege, we should act on that decision in advance of the full House vote.

III. Discussion and Recommendation

In my memorandum of May 8, 1996, I outlined the factual and legal predicate for the assertion of executive privilege here. I further detailed our extensive efforts to pursue the accommodation process with the Committee and the reasons that the process failed. I believed then, as I believe now, that the Committee is not interested in compromise. The documents identified on the appended privilege index are, in my judgment, properly subject to such a claim and the Attorney General concurs in this view.

The release of these documents, I believe, would effectively chill the deliberative and analytic process which provides the basis for the provision of sound, candid, and honest legal advice to the President of the United States. I am persuaded that production of this material would substantially impair the ability of the Office of Counsel to the President to provide

advice and assistance for years to come. Consequently, there is a compelling basis for concluding that production of these documents would frustrate your ability and that of future presidents to carry out the executive functions of Article II and would violate fundamental principles of separation of powers.

For these reasons, I recommend that you assert executive privilege with respect to each of the documents identified on the executive privilege document index and instruct me not to release the documents to the Committee. If you agree, you should so indicate below and sign the memorandum appended at Tab IV.

Approve ✓

Disapprove _____

Discuss _____

Jack Quinn

THE WHITE HOUSE

WASHINGTON

May 8, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: JACK QUINN JQ

SUBJECT: EXECUTIVE PRIVILEGE AND THE TRAVEL OFFICE MATTER

I. Purpose

The purpose of this memorandum is to provide a basis for determining whether to assert executive privilege with respect to confidential documents that have been generated in connection with the Travel Office or related matters and reflect the internal deliberations of the White House Counsel's Office.

II. Background

Congressman Clinger, Chairman of the House Committee on Government Reform and Oversight, has by letter dated May 2, 1996, threatened to hold me in contempt for failing to produce to the Committee certain documents responsive to the Committee's subpoena of January 11, 1996. This memorandum sets forth the history of our response to the Committee's subpoena; analyzes whether executive privilege can appropriately be asserted with respect to the documents at issue and the strength of that claim; and concludes with my recommendation that you invoke executive privilege here.

A decision in this regard is needed as soon as possible. In order to have a defense to a charge of criminal contempt, I need to communicate your decision to assert privilege by 6:00 p.m. today. Alternatively, I will need to inform the Committee that the requested documents will be produced.

III. Our Previous Responses to the Committee's Requests

The House Committee has been investigating the firing of seven employees who worked in the White House Travel Office and our compliance with the other investigations of the Travel Office matter, including the White House Management Review, the GAO investigation, the IRS investigation, the Office of Professional Responsibility inquiry, and the Public Integrity investigations of Billy Dale, Darnell Martens, and Harry Thomason.

On June 14, 1995, the Committee served its first formal request for documents. Another request followed on September 18, 1995. Finally, a subpoena was served on January 11, 1996. The document requests have been exceedingly broad, going well beyond the Travel Office firings. For example, the requests have included matters related to the suicide of Vincent Foster and activities of Harry Thomason and Darnell Martens unrelated to the Travel Office.

In response to these broad requests, the White House has produced approximately 40,000 pages of documents. In an effort to accommodate the needs of the Committee and to cooperate fully with the investigation, the White House engaged in protracted discussions with Chairman Clinger and his staff, which resulted in the production of a substantial number of documents with respect to which confidentiality could legitimately have been claimed.

Specifically, the White House has produced (1) all primary source documents relating to the firing of the Travel Office employees; (2) all documents that were prepared in the course of the White House internal review of these events; and (3) documents that reflect the manner in which the White House responded to other investigations of these events (with the exception of the Independent Counsel investigation).

The White House has not, however, produced to the Committee other work product of the Counsel's Office -- documents that are rarely, if ever, provided to Congress because they constitute the working materials of the Counsel's office in providing legal advice to the President. The disputed documents fall in these three categories:

- (1) Counsel's Office documents relating to the ongoing grand jury investigation by the Independent Counsel;
- (2) Documents created by the Counsel's Office in connection with Congressional hearings; and
- (3) Certain confidential documents created by the Counsel's Office in order to provide legal advice to the President.

Although there may be a number of documents within these categories with respect to which we would not ordinarily assert executive privilege, the vast majority are no doubt subject to a valid claim of privilege. In some cases, it may be that only portions of documents are subject to privilege and that we will need to redact the documents accordingly. At this stage, however, we will not have the opportunity to accomplish those selections and redactions before the Committee meeting tomorrow morning.

In an effort to resolve the dispute with respect to this material, Jane Sherburne and I met with Chairman Clinger on February 15, 1996. In the course of that meeting, we offered to provide the documents in the latter grouping, e.g., vetting notes, staff counsel meeting notes, and certain legal memoranda for in camera review. The Chairman committed to consider the proposal and respond. He did not. Rather, over two months later, he issued the threat of contempt for failure to produce all material responsive to the Committee's subpoena.

Since the May 2, 1996 letter, I have made every possible effort to engage the Chairman in the process of accommodation. I have spoken to him by telephone and twice written to ask him to work with us in a spirit of cooperation and compromise. The Chairman has rejected these overtures.

IV. Executive Privilege Analysis

Although the Constitution nowhere explicitly provides that the Executive Branch enjoys a privilege against disclosing certain sensitive and confidential information to Congress, it has long been established that such a privilege exists and is firmly grounded in both the constitutional scheme of separation of powers and as a necessary adjunct to the responsibilities of executive power. United States v. Nixon, 418 U.S. 683, 705-6 (1974). This privilege protects from disclosure the confidential deliberations of the President's advisors, generally subsuming common law principles of attorney-client privilege and lawyers' work product. 10 Op. O.L.C. 91 (1986). It is not an absolute privilege, but requires, instead, a balancing of legitimate legislative needs with the executive's crucial interest in ensuring that the private deliberations of his advisors will not be publicly disseminated. United States v. AT&T, 551 F.2d 384 (D.C. Cir. 1976) and 567 F.2d 121 (D.C. Cir. 1977).

(a) The Scope of the Privilege

There is a presumption of confidentiality that applies to the deliberative process in the Executive Branch. This presumption is even stronger when the decisionmaking process implicates legal advice.

"The reasons for the constitutional privilege against the compelled disclosure of executive branch deliberations have special force when legal advice is involved. . . . [L]egal matters are likely to be among those on which high government officials most need, and should be encouraged to seek, objective, expert advice. As crucial as frank debate on policy matters is, 'it is even more important

that legal advice be candid, objective, and even blunt or harsh . . . where necessary.'" 10 Op. O.L.C. 91 (1986) (citations omitted).

Congress may overcome the presumption of privilege with a "strong showing of need" and a showing that "access to the privileged communications is critical to the responsible fulfillment of [Congress's] constitutional functions." 6 Op. O.L.C. at 484. In other words, Congress must show that the subpoenaed documents are "demonstrably critical" to the performance of their legislative obligations. Senate Select Committee on Presidential Campaign Activities v. Nixon, 498 F.2d 725 at 731 (D.C. 1974).

Such a showing is rather difficult to satisfy in the context of Congressional oversight, as opposed to legislative, investigations. See 9 Op. O.L.C. 71 (1985); 5 Op. O.L.C. 27 (1981) at 30. Moreover, "Congress' power of inquiry must not be permitted to negate the President's constitutional responsibility for managing and controlling affairs committed to the Executive Branch." 9 Op. O.L.C. 71. Indeed,

"[T]he congressional oversight interest will support a demand for predecisional, deliberative documents in the possession of the Executive Branch only in the most unusual circumstances." 5 Op. O.L.C. 27.

(b) The Accommodation Process

In order to balance the executive's strong interest in confidentiality with the Congressional need for information, the Courts have required an "accommodation process." United States v. AT&T, 567 F.2d 121, 127 (D.C. Cir. 1977). This process should not be just a test of relative political strength. "It is an obligation of each branch to make a principled effort to acknowledge, and if possible to meet, the legitimate needs of the other branch." 5 Op. O.L.C. 27, 31 (1981).

We have previously engaged in this accommodation process with the Committee. Last fall, we met with the Committee staff and reached certain agreements. And, since February my several offers of compromise as to the present demands of the Committee, have been precisely calculated to accomplish further accommodation. But Chairman Clinger has shown little interest in a compromise; rather, he has insisted on having each and every document within this Office that might remotely be of interest regardless of its relevance or confidentiality.

V. The Basis for Executive Privilege Here

Under the principles articulated above, there is a strong basis for assertion of executive privilege with respect to the work product material at issue in the Travel Office proceeding.

First, many of the documents sought reflect the process pursued by the White House Counsel's office in responding to the Independent Counsel and to Congress itself. Others represent pure legal analysis or legal efforts that are at the core of the functioning of the Office. Compelling disclosure of this kind of material would significantly interfere with the ability of lawyers now and in the future to give "candid, objective or even blunt or harsh advice" to the President. 10 Op. O.L.C. 91.

Second, the Committee has not articulated any specific -- much less compelling -- need for the documents. At best, the Committee is exercising its legitimate oversight authority. This generalized need in the context of an oversight inquiry, however, cannot overcome the specific interest the President has in protecting this kind of confidential material from disclosure.

Third, the Committee has declined thus far to participate in the accommodation process with respect to its request for these materials. While the White House has produced extensive confidential material in response to the Committee's demands, and has offered further compromises with respect to additional documents, the Committee has made no reasonable effort to consider the White House's proposal or to provide any compromise proposals of its own.

Finally, the claim of executive privilege here would cover significantly more material than is usually at issue. This results from the far reaching and unprecedented request of the Committee. Consequently, we are working with the Department of Justice to make every effort to narrow the documents for which privilege needs to be asserted.

VI. Options and Recommendation

Given the posture of the Committee, there are two options:

1. You direct me to assert executive privilege with respect to all of these documents as a protective measure until we can narrow them down to a core group with respect to which the privilege would finally be asserted; or
2. We produce all of the documents to the Committee.

Since the Committee is not prepared to engage in the accommodation process, we do not appear to have the option of producing selectively some of the documents. To do so would still leave us with the need either to turn over the remaining documents or to claim privilege.

I recommend that you instruct me to assert the privilege. I do not make this recommendation in order to uphold general principles of confidentiality of lawyers' work product. Rather, and most significantly, I believe that the Committee's request so fundamentally and unreasonably invades the workings of the White House Counsel's Office that it will cripple the ability of the office to provide you with legal advice now and in the future. Incidentally, I fear that production of this material may inevitably prolong, rather than bring a close to, the Travel Office proceedings. Although the documents, in fact, contain essentially no new information, with additional material, the Committee will argue that it needs more depositions, more hearing time, and further investigation with the "newly acquired evidence." It is these reasons, not an abstract commitment to the attorney-client privilege, that drives my recommendation here.

Approve _____

I direct you to assert executive privilege with respect to those documents in the categories identified on page two. Continue to work with the Department of Justice in an effort to narrow the breadth of our claim to the extent possible. This is a protective assertion of executive privilege designed to ensure my ability to make a final decision, in consultation with the Attorney General, as to which documents are deserving of a claim of executive privilege.

Disapprove _____

I will not invoke executive privilege.

Discuss _____



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

May 8, 1996

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

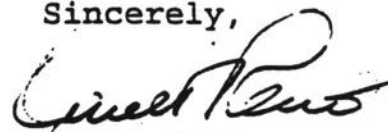
Dear Mr. President:

You have requested my legal advice as to whether executive privilege may properly be asserted in response to a subpoena issued to the Counsel to the President by the Committee on Government Reform and Oversight of the House of Representatives.

The subpoena covers a large volume of confidential White House Counsel's Office documents. The Counsel to the President notified the Chairman of the Committee today that he was invoking the procedures of the standing directive governing consideration of whether to assert executive privilege, President Reagan's memorandum of November 4, 1982, and that he specifically requested, pursuant to paragraph 5 of that directive, that the Committee hold its subpoena in abeyance pending a final Presidential decision on the matter. This request was necessitated by the deadline imposed by the Chairman, the volume of documents that must be specifically and individually reviewed for possible assertion of privilege, and the need under the directive to consult with the Attorney General, on the basis of that review, before presenting the matter to the President for a final determination. The Chairman rejected the request and indicated that he intends to proceed with a Committee vote on the contempt citation tomorrow.

Based on these circumstances, it is my legal judgment that executive privilege may properly be asserted with respect to the entire set of White House Counsel's Office documents currently being withheld from the Committee, pending a final Presidential decision on the matter. This would be a protective assertion of executive privilege designed to ensure your ability to make a final decision, after consultation with the Attorney General, as to which specific documents are deserving of a conclusive claim of executive privilege.

Sincerely,


Janet Reno
Attorney General



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

May 23, 1996

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

Dear Mr. President:

You have requested my legal advice as to whether executive privilege may properly be asserted with respect to certain confidential White House Counsel's Office documents that are responsive to subpoenas issued by the Committee on Government Reform and Oversight of the House of Representatives. The subpoenas have been issued in connection with the Committee's investigation of the White House Travel Office matter.

By letter dated May 8, 1996, I advised you that, based on the circumstances described in that letter,

executive privilege may properly be asserted with respect to the entire set of White House Counsel's Office documents currently being withheld from the Committee, pending a final Presidential decision on the matter. This would be a protective assertion of executive privilege designed to ensure your ability to make a final decision, after consultation with the Attorney General, as to which specific documents are deserving of a conclusive claim of executive privilege.

The Counsel to the President has now identified the specific White House Counsel's Office documents with respect to which he recommends that you assert executive privilege. The documents are identified on an index of privileged documents attached to his memorandum to you dated May 23, 1996. His memorandum to you of May 8, 1996 describes the efforts the White House has made to accommodate the Committee's information needs.

The Office of Legal Counsel of the Department of Justice has reviewed the documents for which assertion of executive privilege has been recommended and is satisfied that they fall within the scope of executive privilege. I concur in that assessment.

The documents are in three categories. Most of the documents are analytical material or other attorney work-product prepared by the White House Counsel's Office in response to the ongoing investigation by the Committee. A second category consists of similar material prepared in connection with the ongoing criminal investigation by Independent Counsel Kenneth

Starr. Finally, a small number of documents are analytical documents that do not concern either the Travel Office matter or these investigations, and which were prepared by the Counsel's Office in order to provide legal advice within the White House.

The Counsel to the President is appropriately concerned that the Committee's demand raises significant separation of powers concerns and that compliance with it beyond the accommodations already reached with the Committee would compromise the ability of his Office to advise and assist the President in connection with the pending Committee and Independent Counsel investigations. It would also have a chilling effect on the Office's discharge of its responsibilities in future congressional investigations, and in all of its other areas of responsibility. I agree that the ability of the White House Counsel's Office to serve the President would be significantly impaired if the confidentiality of its communications and work-product is not protected, especially where the confidential documents are prepared in order to assist the President and his staff in responding to an investigation by the entity seeking the documents. Impairing the ability of the Counsel's Office to perform its important functions for the President would in turn impair the ability of you and future Presidents to carry out your constitutional responsibilities.

The Supreme Court has expressly (and unanimously) recognized that the Constitution gives the President the power to protect the confidentiality of White House communications. This power is rooted in the "need for protection of communications between high Government officials and those who advise and assist them in the performance of their manifold duties." United States v. Nixon, 418 U.S. 683, 705 (1974). "A President and those who assist him must be free to explore alternatives in the process of shaping policies and making decisions and to do so in a way many would be unwilling to express except privately." Id. at 708. Executive privilege applies to these White House Counsel's Office documents because of their deliberative nature, and because they fall within the scope of the attorney-client privilege and the work-product doctrine, see Upjohn Co. v. United States, 449 U.S. 383 (1981); Hickman v. Taylor, 329 U.S. 495 (1947). Both the attorney-client privilege and the work-product doctrine are subsumed under executive privilege. See Response to Congressional Requests for Information Regarding Decisions made Under the Independent Counsel Act, 10 Op. O.L.C. 68, 78 & n.17 (1986); Confidentiality of the Attorney General's Communications in Counseling the President, 6 Op. O.L.C. 481, 490 & n.17, 494 & n.24 (1982).

Under controlling case law, in order to justify a demand for confidential White House documents, a committee is required to demonstrate that the information sought is "demonstrably critical to the responsible fulfillment of the Committee's functions."

Senate Select Committee on Presidential Campaign Activities v. Nixon, 498 F.2d 725, 731 (D.C. Cir. 1974) (en banc). And those functions must be in furtherance of legitimate legislative responsibilities of Congress. See McGrain v. Daugherty, 273 U.S. 135, 160 (1927) (Congress has oversight authority "to enable it efficiently to exercise a legislative function belonging to it under the Constitution"); Barenblatt v. United States, 360 U.S. 109, 111 (1959) ("Congress may only investigate into those areas in which it may potentially legislate or appropriate").

The confidential White House Counsel's Office documents for which privilege would be asserted are not contemporaneous documents concerning the White House Travel Office matter being investigated by the Committee, or even documents generated as part of the White House review of that matter, but rather were created in connection with other matters or the response of the White House to subsequent investigations of the Travel Office and other matters by the Committee and the Independent Counsel. Whatever may be the extent of Congress' authority to conduct oversight of the executive branch's response to oversight -- a question that must be viewed as unresolved as a matter of law in light of the requirement that there be a nexus to Congress' legislative authority -- it is clear that congressional needs for information in that context will weigh substantially less in the constitutional balancing than a specific need in connection with the consideration of legislation. As for documents concerning the White House response to an ongoing criminal investigation by an Independent Counsel, we can identify little, if any, legitimate legislative need for such information. In sum, based on the Office of Legal Counsel's review of the documents for which assertion of executive privilege has been requested, and conducting the balancing required by the case law, see Senate Select Committee, 498 F.2d at 729-30; United States v. Nixon, 418 U.S. at 706-07, I do not believe that access to these documents would be held by the courts to be "demonstrably critical to the responsible fulfillment of the Committee's functions." Senate Select Committee, 498 F.2d at 731.

In conclusion, it is my legal judgment that executive privilege may properly be asserted in response to the Committee's subpoenas.

Sincerely,



Janet Reno
Attorney General

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: *M* DATE: *9/1/96*

2014-0774-5

HIGHLY CONFIDENTIAL

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May 23, 1996

DOCUMENTS OVER WHICH THE PRESIDENT ASSERTS EXECUTIVE PRIVILEGE IN RESPONSE TO
THE HOUSE GOVERNMENT REFORM COMMITTEE'S JANUARY 11, 1996 SUBPOENAS

DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 780001-7	7/6/95		Natalie Williams	Memorandum re: notes for discussion with Congressional staff including legal analysis of work product issues	Counsel's Office
DF 780008-29, 780234-37	7/9/95, 7/5/95	Jane Sherburne	Natalie Williams	Analyses of custody and disclosure of Foster Travel Office file	Counsel's Office
DF 780031-40	7/10/95		Natalie Williams	Memorandum re: chronological analysis of Travel Office events	Counsel's Office
DF 780048-49	7/21/95	Jane Sherburne	Natalie Williams	Memorandum analyzing Foster communications re: Travel Office	Counsel's Office
DF 780052-57, 780093-98, 780655-57	7/29/95		Natalie Williams	Memoranda analyzing House Government Reform Committee Travel Office document requests and privilege issues	Counsel's Office
DF 780041-47, 780058-65	7/11/95		Natalie Williams	Memoranda analyzing House Government Reform Committee document request, witness interviews and privilege issues	Counsel's Office
DF 780066-85	7/12/95		Natalie Williams	Summary and analysis of Travel Office events	Counsel's Office
DF 780086-92	7/17/95	Jane Sherburne	Natalie Williams	Chronological analysis of Travel Office events	Counsel's Office
DF 780108-14	8/7/95, 8/9/95	Abner Mikva, Jane Sherburne	Natalie Williams	Analyses of privileges for Travel Office internal review documents	Counsel's Office

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DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 780115-17	8/11/95		Natalie Williams	Analysis of House Government Reform Committee requests for information related to Harry Thomason and Darnell Martens	Counsel's Office
DF 780118-26	8/23/95	Files	Natalie Williams	Analysis of document productions in Travel Office inquiries	Counsel's Office
DF 780127-33	8/27/95		Natalie Williams	Analysis of issues re: Larry Herman	Counsel's Office
DF 780134-45, 780197-205	8/23/95, Undated		Natalie Williams	Chronological analyses of events related to Harry Thomason, Darnell Martens and Brian Foucart	Counsel's Office
DF 780146-61	8/16/95		Natalie Williams	Analysis of Travel Office investigations	Counsel's Office
DF 780162-67	10/17/95		Natalie Williams	Analysis of Travel Office issues	Counsel's Office
DF 780168	10/19/95		Miriam Nemetz	Analysis of White House cooperation with House Government Reform Committee	Counsel's Office
DF 780169-71	10/19/95		Natalie Williams	Analysis of White House cooperation with Travel Office investigations	Counsel's Office
DF 780172-80	10/18/95		Natalie Williams	Analysis of potential hearing issues	Counsel's Office
DF 780181-87	Undated		Natalie Williams	Analysis of potential hearing issues and issues to be addressed in preparation for House Government Reform Committee hearings	Counsel's Office
DF 780188	6/27/95, 6/30/95		Natalie Williams	Analysis of outstanding issues re: document production to House Government Reform Committee	Counsel's Office

DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 780189-96	10/18/95		Natalie Williams	Analysis of special government employee status of Harry Thomason and Darnell Martens	Counsel's Office
DF 780206-08	10/13/95		Natalie Williams	Chronological analysis of ICAP issues	Counsel's Office
DF 780209	Undated		Natalie Williams	Analysis of the ICAP Project	Counsel's Office
DF 780210-12, 781369-71	11/20/95		Natalie Williams	Analyses of document production issues for 11/21/95 meeting with Committee on Governmental Reform staff	Counsel's Office
DF 780213	Undated		Natalie Williams	Notes re: interview of Webster Hubbell	Counsel's Office
DF 780214	Undated		Natalie Williams	Notes re: production of Foster Travel Office file	Counsel's Office
DF 780215-18	8/3/95		Natalie Williams	Draft letter from Abner Mikva to William Clinger re: custody of Foster Travel Office documents	Counsel's Office
DF 780219-21	9/21/95		Natalie Williams	Issues and questions re: Catherine Cornelius	Counsel's Office
DF 780222-25	10/20/95, 10/18/95		Miriam Nemetz	Analyses of Foster's Travel Office file	Counsel's Office
DF 780226-32	10/18/95		Miriam Nemetz	Analysis of Travel Office operations	Counsel's Office
DF 780233	10/18/95'		Natalie Williams	Analysis of treatment of Travel Office employees	Counsel's Office
DF 780238-39, 780705-06	Undated		Natalie Williams	Analyses of document productions for Chairman Clinger meeting	Counsel's Office

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DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 780240-70	Undated		Natalie Williams	Issues and questions re: White House cooperation with Travel Office investigations	Counsel's Office
DF 780271-635	Undated		Natalie Williams	Handwritten notes of Natalie Williams including witness interviews, analysis of documents, analysis of production/privilege issues and working notes in preparation for House Government Reform Committee hearings	Counsel's Office
DF 780636-37	9/12/95			Handwritten notes re: production of Travel Office audit documents	Counsel's Office
DF 780638-40, 781515-19, 781523-25, 781528-31, 781845	Various dates		Natalie Williams	Communications with outside counsel seeking or receiving information needed in order to respond to House Government Reform Committee's document requests	Counsel's Office
DF 780641-42	8/2/95		Natalie Williams	Draft letter to Phil Larsen with handwritten edits re: document protocols and productions	Counsel's Office
DF 780643-54	12/13/94		Jane Sherburne	Memorandum re: issues, strategies and work to be completed on various investigations	Counsel's Office
DF 780658-62	8/2/95			Analyses of internal review work product	Counsel's Office
DF 780663-78	9/5/95			Draft of privileged document log for House Government Reform Committee with handwritten notations analyzing basis of privilege determinations	Counsel's Office
DF 780679-90	9/29/95, Undated			Analyses and talking points for meetings and telephone calls with Chairman Clinger re document production and privilege issues	Counsel's Office

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DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 781137-53, 781257-59, 781272-78, 781303-13, 781324-49, 781353-55	7/1/94, Undated, 7/20/94		Jane Sherburne	Handwritten notes of factual investigation for Senate hearings	Counsel's Office
DF 781158-59	6/4/94		Jane Sherburne	Draft chronology re: Foster document handling matter	Counsel's Office
DF 781168-80	7/1/94		Sharon Conaway	Handwritten notes of communications with outside counsel in preparation for Senate hearings in Foster document handling matter	Counsel's Office
DF 781181	7/5/94		Sheila Cheston	Handwritten notes of communication with outside counsel in preparation for Senate hearings in Foster document handling matter	Counsel's Office
DF 781182-84	6/28/95	File	Miriam Nemetz	Notes of communication with outside counsel re: Deborah Gorham and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781185-86	6/30/95	File	Jane Sherburne	Notes of communication with outside counsel re: Roy Neel and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781187-93	7/6/95	File	Miriam Nemetz	Notes of communication with outside counsel re: Bill Burton and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781194-99	7/8/95	File	Miriam Nemetz	Notes of communication with outside counsel re: Mack McLarty and Foster document handling matter in preparation for Senate hearings	Counsel's Office

DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 781200-10	7/9/95	File	David Fein	Notes of communication with outside counsel re: Steve Neuwirth and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781211-13	7/7/95	File	Miriam Nemetz	Notes of communication with outside counsel re: George Stephanopoulos and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781214-19	7/9/95	File	Miriam Nemetz	Notes of communication with outside counsel re: Dee Dee Myers and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781220-24	7/13/95	File	Miriam Nemetz	Notes of communication with outside counsel re: David Gergen and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781225-41	7/22/95	File	Miriam Nemetz	Notes of communication with outside counsel re: Bernard Nussbaum and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781242-45	7/15/95	File	Jane Sherburne	Notes of communication with outside counsel re: David Watkins and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781246-51	7/9/95	File	David Fein	Notes of communication with outside counsel re: Maggie Williams and Foster document handling matter in preparation for Senate hearings	Counsel's Office
DF 781263-71	2/9/95		Miriam Nemetz	Handwritten notes of factual investigation in preparation for Senate hearings in Foster document handling matter	Counsel's Office
DF 781279	Undated		Miriam Nemetz	Handwritten notes reflecting conversation with outside counsel in preparation for Senate hearings in Foster document handling matter	Counsel's Office

HIGHLY CONFIDENTIAL

DRAFT

DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 780691-99, 780707	9/26/95, Undated		Abner Mikva	Draft of privileged document log with handwritten notes for House Government Reform Committee and talking points for Committee Members	Counsel's Office
DF 780700	10/23/95	Todd Stern	Abner Mikva	Draft of portion of memorandum to President on Travel Office Hearings	Counsel's Office
DF 780701-03	12/7/95			Analysis of document production issues for 12/8/95 Chairman Clinger meeting	Counsel's Office
DF 780704	Undated	Jane Sherburne	Natalie Williams	Communications re: deliberations on document protocol and production issues	Counsel's Office
DF 780708-11	7/15/95	File	Jane Sherburne	Memorandum re: Senate deposition of David Watkins	Counsel's Office
DF 780712-17	Undated			Draft chart analysis and comparison of various Travel Office investigations	Counsel's Office
DF 780718-21	5/5/95	Jane Sherburne, Mark Fabiani	Jonathan Yarowsky	Update and analysis of House Government Reform Committee Travel Office hearings	Counsel's Office
DF 780722-75, 781054-95, 780776-907	2/12/95, 6/16/95, 5/15/95, 4/30/95, 5/16/95, 5/26/95		Jane Sherburne, Miriam Nemetz	Chronological analyses of Foster document handling matter	Counsel's Office
DF 780908-11, 781154-57	Undated		Miriam Nemetz	Analyses of Bill Burton's knowledge of Foster document handling matter	Counsel's Office
DF 780912-14	Undated		Miriam Nemetz	Analysis of Steve Neuwirth's knowledge of Foster document handling matter	Counsel's Office

DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 780915-19	9/21/95		Miriam Nemetz	Handwritten notes of communications with outside counsel in preparation for House Government Reform Committee hearings	Counsel's Office
DF 780920	Undated		Miriam Nemetz	Attorney notes regarding strategy for Congressional hearings	Counsel's Office
DF 780921-62, 780974-76, 780978-1053	6/95, 7/95, 2/20/94, 3/14/95		Miriam Nemetz	Attorney communications with outside counsel in preparation for Senate hearings re: Foster document handling matter	Counsel's Office
DF 781096-98	Undated		Miriam Nemetz	Questions for Deborah Gorham developed in preparation for Senate hearings re: Foster document handling matter	Counsel's Office
DF 781099-109, 781160-67	7/10/95, 7/4/95		Miriam Nemetz	Analyses of issues related to Mrs. Clinton in connection with preparation for Senate hearings re: Foster document handling matter	Counsel's Office
DF 781110	8/30/95			Memorandum re: preparation for possible assertions of Executive Privilege	Counsel's Office
DF 781111-17	7/3/94		Jane Sherburne	Issue outline prepared in connection with Senate hearings re: Foster document handling matter	Counsel's Office
DF 781118-36, 781252-56, 781260-62, 781280-302, 781314-23, 781350-52	7/1/94, Undated, 7/14/94, 7/6/94, 7/7/94, 7/11/94, 7/4/94		Sheila Cheston	Handwritten notes of factual investigation for Senate hearings	Counsel's Office

DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 781356-68	Undated			Notes analyzing vetting process of potential nominees and vetting notes re: certain nominees	Counsel's Office
DF 781372-73, 781492-97	8/24/95, Undated		Natalie Williams	Outlines/indices of materials for notebook in preparation for House Government Reform Committee hearings	Counsel's Office
DF 781374-91	Undated			Analyses of Travel Office firings in preparation for the House Government Reform Committee hearings	Counsel's Office
DF 781392-407, 781450-53, 781883-92	Undated			Analyses of Travel Office matter and document production/privilege issues in preparation for meetings with House Government Reform Committee Chairman and staff	Counsel's Office
DF 781408-44	Undated		Vince Foster	Handwritten notes found in Vince Foster's briefcase concerning Executive Orders under consideration and vetting notes	Counsel's Office
DF 781445-47	10/23/95	Abner Mikva	Jane Sherburne	Analysis of issues related to upcoming House Government Reform Committee hearings with attached proposed talking points	Counsel's Office
DF 781454-56	5/31/95	Chris Cerf	Jonathan Yarowsky	Notes of communication in preparation for responding to letter from Chairman Clinger re House Government Reform Committee document requests	Counsel's Office
DF 781457-58	8/28/95		Natalie Williams	Memorandum re: strategy on interviews and document production to House Government Reform Committee	Counsel's Office
DF 781459-91	Undated			Analyses of various factual issues in Travel Office matter in preparation for House Government Reform Committee hearings	Counsel's Office

DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 781498-500	9/16/93	Thomas McLarty	Bernard Nussbaum, Roy Neel	Memorandum analyzing legal and policy issues with respect to White House access	Counsel's Office
DF 781501-08	9/8/95, 9/12/95		Jane Sherburne	Memoranda re: guidelines and analysis for responding to Congressional document requests and privilege issues	Counsel's Office
DF 781509-14	9/18/95	Abner Mikva	William Clinger	Attorney annotations on letter from Chairman Clinger re: requested documents	Counsel's Office
DF 781520-22	7/31/95, 8/1/95, 8/2/95	Jane Sherburne	Natalie Williams	Communications between counsel regarding document protocols and production	Counsel's Office
DF 781532-42	Undated			Potential questions in preparation for the Senate and House hearings	Counsel's Office
DF 781543-47	10/15/95			Issue chart comparing certain findings of various Travel Office investigations	Counsel's Office
DF 781548-49	7/13/95			Analysis of discovery of Foster note in preparation for Senate Hearings re: Foster document handling matter	Counsel's Office
DF 781550-57	Undated			Memoranda re: Travel Office issues in preparation for House Government Reform Committee hearings	Counsel's Office
DF 781558-60	Undated			Memorandum re: analysis of issues on document production and witness interviews prepared for Chairman Clinger 6/6/95 meeting	Counsel's Office

DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 781561	Undated	Jane Sherburne	Natalie Williams	Communication re: questions concerning privilege guidance and issues in connection with Government Reform Committee interview of former White House official	Counsel's Office
DF 781562-63, 781821-43	Undated, 10/18/95			Analyses of various issues, facts and possible questions in preparation for House Government Reform Committee hearings	Counsel's Office
DF 781564-65	7/7/95			Analysis of production of Foster Travel Office file in preparation for House Government Reform Committee hearings	Counsel's Office
DF 781566-70	Undated		Jane Sherburne	Handwritten notes of factual investigation in preparation for Senate hearing on Foster document handling matter	Counsel's Office
DF 781571-784	Undated			Briefing book prepared for Senate hearings including analyses of witnesses' knowledge of Foster document handling matter	Counsel's Office
DF 781785-817	Undated			Briefing book containing issue analyses and possible questions prepared for House Government Reform Committee hearings	Counsel's Office
DF 781844	Undated		Natalie Williams	Draft analysis on issues and facts re: Foster Travel Office file in preparation for House Government Reform Committee hearings	Counsel's Office
DF 781852-54	Undated		Natalie Williams	Analysis of document issues raised by House Government Reform Committee requests	Counsel's Office
DF 781855-82	11/28/95	Jane Sherburne	Natalie Williams	Draft Memorandum re: providing representation to federal employees in Congressional proceedings	Counsel's Office

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DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
DF 781893-900	9/18/95- 10/17/95		Miriam Nemetz	Handwritten notes re: Travel Office investigations in preparation for House Government Reform Committee hearings	Counsel's Office
DF 781901-07	12/16/94- 3/29/95		Jane Sherburne	Handwritten notes re: Travel Office matters and investigations including witness interviews and communications with outside counsel	Counsel's Office
DF 781908-31	2/28/94	Rick Dunn	Cheryl Mills	Memorandum providing legal advice with respect to ARPA/EOP Draft Memorandum of Understanding with attachments	Counsel's Office
DF 781932-34	8/1/95	Jane Sherburne, Natalie Williams	David Kendall	Memorandum re: potential claims of executive privilege with respect to certain documents	Counsel's Office

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DOC NUMBER	DATE	TO PERSON	FROM PERSON	DESCRIPTION	SOURCE(S)
[IC 1-8	7/5/94- 1/4/96			Draft and final correspondence between the White House and the Office of Independent Counsel	Counsel's Office]
[IC 9-13	3/95-1/96			Office of Independent Counsel subpoenas	Counsel's Office]
IC 14-19	3/95, Undated			Material relating to responses to the Office of Independent Counsel subpoenas	Counsel's Office
IC 20-39	3/95, 6/95			Material relating to the Office of Independent Counsel interviews and grand jury appearances	Counsel's Office
IC 40-44	3/95, Undated			Notes and memoranda relating to meetings with the Office of Independent Counsel	Counsel's Office
IC 45-52	6/94-7/94			Material relating to Office of Independent Counsel interviews and depositions of the the President and Mrs. Clinton	Counsel's Office

THE WHITE HOUSE

WASHINGTON

May 23, 1996

MEMORANDUM FOR THE COUNSEL TO THE PRESIDENT

SUBJECT: Congressional Subpoena for White House Documents

In connection with its investigation of the Travel Office matter, the Committee on Government Reform and Oversight of the House of Representatives issued subpoenas demanding production of certain confidential White House Counsel's Office documents. You advised me that you anticipated continuing your efforts with the Committee to reach an accommodation with respect to these documents. On May 2, 1996, however, the Chairman of the Committee terminated that process and demanded immediate production of all documents captured in the sweep of his Committee's subpoenas. The Chairman informed you that if all documents were not produced on or before May 9, 1996, he would present a resolution to the Full Committee citing you for criminal contempt of Congress.

In light of the Chairman's precipitous action, I was compelled to invoke executive privilege on a protective basis with respect to the entire body of material that had been the subject of the accommodation efforts. This protective assertion was designed to ensure that I would have the opportunity to make a final decision, in consultation with the Attorney General, as to which specific documents I would assert a claim of executive privilege. I instructed you at that time to so advise the Committee.

I understand that the specific review of the documents in consultation with the Justice Department has now been completed. Certain documents are being produced to the Committee as a result of that review. The remaining documents, identified on the executive privilege document index you have provided to me, constitute confidential communications generated in the course of providing advice and assistance to me or senior White House officials with respect to ongoing Congressional and Independent Counsel investigations. The release of these documents would seriously chill the deliberative and analytic process that is integral to the White House Counsel's provision of sound and candid advice and assistance to the President of the United States. I am persuaded that production of this material would significantly impair the ability of the Office of Counsel to the President to provide advice and assistance for years to come.

Consequently, production of these documents would frustrate my ability and that of future Presidents to carry out the executive functions prescribed in Article II and would violate fundamental principles of separation of powers.

It is for these reasons that I assert executive privilege with respect to each document identified on the executive privilege document index and instruct you not to release any of these documents to the Committee. Please advise the Committee of my decision.

William F. Clinton