7/8/96

Chrons from when you went on leave.

THE WHITE HOUSE

WASHINGTON

June 21, 1996

Leon --

This is to confirm that Joe Stiglitz has Cabinet Rank in his capacity as Chair of the Council of Economic Advisors. This rank is accorded as a matter of the President's discretion and will terminate at the end of Joe's tenure as Chair.

Agree___ Disapprove___ Discuss___

Todd Stern

172171

JAY ALIX
4000 TOWN CENTER
SUITE 500
SOUTHFIELD, MICHIGAN 48075
(810) 358-[illegible]

96 JUN 18 A10 : 26

6/21/96
Sent to Jim Dorskind to prepare reply.

May 20, 1996

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

Dear Mr. President:

As we discussed in April, and pursuant to your request, the following is my outline on how your Administration might approach the question of whether a national rate of economic growth beyond the 2% to 2.5% range can be achieved without triggering an increase in inflationary pressures.

The position argued by Felix Rohatyn in the Wall Street Journal (April 11, 1996) deserves further consideration, based on the massive economic and social benefits which would accrue to the United States should higher economic growth be attained. His premise is that higher growth is possible based on the experience of private sector companies, and that it is only through higher growth that we have any hope of making a significant impact on the serious challenges we face: budget deficits, widening disparity in incomes among Americans, and quality of life issues.

There are three key areas in which your Administration could play a leadership role to build the platform for higher growth: improved education, increased infrastructure investment, and expanded corporate responsibility. An integrated approach to these three areas will, like a three-legged stool, support the overall growth platform, while improvements in each "leg" will be valuable in their own right.

I believe the fundamental question of increased economic growth, and the attendant question of the government's appropriate role, can and should be addressed by a Presidential Commission. I respectfully suggest that you consider appointing a commission to study both questions.

The commission would comprise leaders and experts in the disciplines of business, labor, education, and infrastructure. Their mandate would be to study how economic growth could be stimulated without inflation, identifying sectors of the economy where growth would produce higher paying jobs, how to set <u>and meet</u> higher educational standards to prepare our students for tomorrow's work force, as well as anticipating the problems and opportunities that will accompany the technological changes that are occurring at an increasingly rapid pace.

The commission's results ideally would provide a blueprint that would guide public policy debate as well as corporate responsibility initiatives. The commission's recommendations would ultimately be the basis for economic growth through fiscal, legislative and policy initiatives.

I would be pleased to discuss these ideas in further detail, and to assist your Administration in any way in this matter. I am

Sincerely yours,

Jay Alix

Jay Alix

106/16/1602.ltr

Recipe for Growth

By FELIX G. ROHATYN

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

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

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

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

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

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Economic Insecurity

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

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

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

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

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

John Kennedy was right: A rising tide lifts all boats. Although it may not lift all of them at the same time and at the same rate, without more growth we are simply redistributing the same pie. That is a zero sum game and it is simply not good enough.

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

John F. Kennedy

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

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

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

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

Higher growth requires a tax system that promotes growth as its main objective. It must encourage higher investment and savings. That is not the case today. Today's tax system aims at a concept of fairness dictated by distribution tables. That may not be the best test. A tax system with growth as its main objective may be a variation of the flat tax; or it may be a national sales tax; or it may be another system aimed at taxing consumption instead of investment such as proposed by Sens. Sam Nunn and Pete Domenici.

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

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

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

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

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

A corporate safety net should be provided in order to deal with the inevitable dislocations which corporate downsizings [illegible] will continue to create. [illegible] should co- [illegible] pen- [illegible] cushion [illegible] in- [illegible] to

by its tie-in with the rise in stock market values, will be dealt with responsibly or boards will find themselves under great shareholder pressure. The use of profit-sharing, stock options and stock grants to practically all levels of the corporation will be significantly expanded and should create greater common interests between executives, shareholders and employees. However, the main role of the corporation must remain to be competitive, to grow, to invest, to hire and to generate profits for its shareholders; a significant portion of employee compensation should be related to the growing productivity of its employees.

The benefits to business in such an approach are obvious, but labor also has a large stake in such a re-examination. Some of the proposals put forth at present would have very negative results for working Americans. It is too late to return to a protected American economy; the only result would be to trigger a financial crisis that would harm America and our trading partners. It is impossible to stop the effect of global information, technology, capital and labor. What is important for working people, union or non-union, is the creation of more well-paying jobs as a result of high levels of investment and high levels of education; to share in the profits of their employers through profit-sharing and stock ownership; to share in the benefit potential of pension funds vastly increased by the boom in the financial markets; to have access to permanent health care security and to high levels of education and training to deal with the 21st century requirements.

Business and labor, together, should hammer out such an agenda. If we are serious about balancing the budget in a responsible manner, the president and the congressional leadership could set a national objective that the economy's rate of growth reach a minimum sustainable level of 3% annually by the year 2000. They could ask the best minds in the country, from government, from business, from labor and from academia to provide a set of options which could lead to such a result. Many of these options would be politically difficult, both for Democrats and for Republicans, and some would probably be impossible. But the only way to abandon long-held notions that may no longer apply to today's world is to discuss them within the framework of a very simple and definite objective: higher growth.

A Different Perspective

Setting the U.S. on a path to higher growth will require coordination with our partners in the G-7. The Europeans should welcome such an initiative since they are in greater need for growth than we are. Nevertheless, the process will be slow and it must be put into motion.

The president's setting an *objective of* higher growth would have an important psychological impact; the economy is, after all, heavily influenced by psychological factors. If the president were to set an ambitious growth objective, then all elements affecting the economy would be subject to review from a different perspective. They would include fiscal and monetary policy; investments and savings; education and training; international trade. Most importantly, these activities should take place within a framework in which the Democratic Party redefines its concept of fairness and the Republican Party redefines its concept of the role of government. At present, neither is appropriate for the revolution that technology, globalization and the inclusion of an additional one billion people to the global work force will bring about tomorrow.

Ultimately, a rising tide will float all ships, and both political parties can help bring this about. If they fail to do so, at a minimum the present malaise will turn uglier, and it is even conceivable that another tide will sweep away existing parties. If that were to happen, arguments about growth or fairness will be totally irrelevant.

Mr. Rohatyn is a managing director of Lazard Freres & Co.

6/19/96

Debi Schiff asked if we could answer the attached this month

Deb Bird <u>Also</u>
<u>Gift unit</u>

scheduling?

yes ✓

NO ____

The Ambassadors Ball

to benefit the National Multiple Sclerosis Society 96 JUN 19 P5:30

June 18, 1996

The President of the United States
and Mrs. Clinton
The White House
Washington, DC 20500

My dear Mr. President and Mrs. Clinton:

As Co-Chairs of the 1996 Ambassadors Ball, we are writing to ask that you once again serve as Honorary Patrons of this gala to benefit the National Multiple Sclerosis Society. In addition, Mr. President, we hope that you will agree to give the traditional "Toast to the Diplomatic Corps."

The 1996 Ambassadors Ball will be held on Thursday, September 19th at the Grand Hyatt Washington. An institution in the Washington area for eighteen years, the Ball honors the Ambassadorial Corps for their support of so many charitable activities and humanitarian endeavors that take place in our city. It also allows us to welcome the newly assigned Ambassadors to our nation's capital and make them feel a part of our political, business, and social communities.

We would be delighted if your schedule permits you to join us for all or part of the Ambassadors Ball. The festivities will begin with a reception at 7 p.m. Dinner will be served at 8 p.m. in the Ballroom, and will be followed by the program, which will begin with a "Toast to the Diplomatic Corps."

Your continuing support of the Ambassadors Ball is very much appreciated. Once again, we would be honored if you could attend, or if only to have your Honorary Patronage. We look forward with high hopes of having you join us for what promises to be a very exciting evening.

Sincerely,

Hadassah Freilich Lieberman Deborah Boehner

Mrs. Joseph I. Lieberman *Mrs. John A. Boehner*
Co-Chair *Co-Chair*

Washington's Tradition ...

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 6/22/96

TO: Kathy Wallman

FROM: **Staff Secretary**

Any comments re: this directive?

Helen
6-2706

Document No.____________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 6-20 **ACTION/CONCURRENCE/COMMENT DUE BY:** 6-21 @ Noon

SUBJECT: Directive on Family Friendly Work Arrangements

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☐	McCURRY	☐	☑
PANETTA	☑	☐	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
ICKES	☐	☑	QUINN	☑	☐
LIEBERMAN	☐	☑	RASCO	☐	☐
RIVLIN	☐	☐	REED	☐	☐
BAER	☐	☐	SOSNIK	☐	☐
CURRY	☐	☐	STEPHANOPOULOS	☐	☐
EMANUEL	☐	☐	STIGLITZ	☐	☐
GIBBONS	☐	☐	STREETT	☐	☐
HALE	☐	☐	TYSON	☐	☐
HERMAN	☐	☐	WALLEY	☐	☐
HIGGINS	☐	☐	WILLIAMS	☐	☐
HILLEY	☐	☐	Angell	☐	☑
KLAIN	☐	☐	________	☐	☐
LAKE	☐	☐	________	☐	☐
LINDSEY	☐	☐	________	☐	☐

REMARKS:

Comments to this office.

RESPONSE:

Staff Secretary
Ext. 6-2702

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Implementing Federal Family Friendly Work Arrangements

I continue to believe that honoring and supporting the concerns of family members in the work place is vital to good government and to a productive workforce. In order to build on its record of support for families in the federal work place, the executive branch must continue to examine its practices and to implement the goals of the Presidential Memorandum of July 11, 1994. The Federal Government must continue to set the pace in transforming the culture of the American workplace so that it supports employees who are devoted to their families.

It is clear to me that whenever the Federal Government establishes a goal of providing civilian employees and military personnel with an environment supportive to families, the result is greater cost efficiency, increased worker commitment and productivity, better customer service, and improved family life.

Therefore, today I am directing all executive departments and agencies to review their personnel practices and develop a plan of action to utilize the flexible policies already in place and, to the extent feasible, expand their ability to provide their employees:

(1) assistance in securing safe, affordable quality child care;

(2) elder care information and referral services;

(3) flexible hours that will enable employees to schedule their work and meet the needs of their families. This includes encouragement to parents to attend school functions and events essential to their children;

(4) opportunities to telecommute, when possible, and consistent with their responsibilities, to achieve the goal of 60,000 telecommmuters by 1998 as set by the President's Management Council. This includes telecommuting from home and from satellite locations;

(5) policies and procedures that promote active inclusion of fathers as well as mothers;

(6) an effective mechanism by which employees can suggest new practices that strengthen families and provide for a more productive work environment; and

(7) leadership and participation in these policies and programs at the highest level of the agency.

The departments and agencies shall provide an initial report on the results of this review to the Vice President through the National Performance Review within 120 days of the date of this memorandum. This report should include an assessment of progress made towards specific goals and include innovative approaches, and detailed success stories.

The National Performance Review, together with the Domestic Policy Council, the President's Management Council Working Group on Telecommuting, the Office of Personnel Management, and the General Services Administration will continue to work with the executive agencies as we move forward together to increase productivity through family friendly work environments.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 6-21-96

TO: Sandy Berger
Bob Kyle

FROM: **Staff Secretary**

Charlene Barshefsky will send out her response to Congresswoman Pelosi et al.

THE PRESIDENT HAS SEEN
6-21-96

THE WHITE HOUSE

WASHINGTON

June 21, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN

SUBJECT: U.S.-China Trade Agreement and MFN

Following receipt of a June 7 letter from Reps. Cox, Gilman, Solomon, Brown and Pelosi, it was discovered that a Presidential Determination which USTR believed to have been done in February 1995 was not done. The PD related to extending the 1980 bilateral trade agreement between the United States and China. USTR believes it sent the PD to the White House, but neither NSC (who ordinarily would receive it) nor Records Management has any record of it. A story on this snafu ran in the NYT June 11.

According to lawyers at USTR, NSC and Justice, however, the failure to do the PD last year has no legal significance and can be corrected by doing a "reconfirming" PD now. Indeed, a similar reconfirming PD was done in 1987, in the Reagan Administration.

The issue. The effectiveness of our bilateral trade agreement with China relates to MFN. MFN can be extended only if (i) Jackson-Vanik freedom-of-emigration requirements have been met or waived, and (ii) a bilateral trade agreement is in place meeting criteria specified in § 405 of the Trade Act -- namely, that (a) a satisfactory balance of concessions has been maintained and (b) the President determines that reductions in tariff and nontariff barriers are adequately reciprocated. If there is no valid trade agreement, MFN can't be extended.

The fix. Lawyers at USTR, NSC and OLC have concluded that our bilateral agreement with China was, by its terms, automatically renewed February 1, 1995 (since neither side gave notice of an intention to terminate it) and is in effect, notwithstanding the absence of a PD. But they agree that a PD should be done now reconfirming that the § 405 criteria were met.

The only thing you need to do is sign the PD at Tab A, which has been cleared by USTR, NSC and Justice. For your information, I have also included in this package a memo from Amb. Barshefsky to you stating that the § 405 criteria are being met and were being met as of February 1, 1995; the Pelosi letter; and a draft response to it from Amb. Barshefsky (which may still get slightly revised).

If you approve, please sign the PD.

THE PRESIDENT HAS SEEN
6-21-96

THE WHITE HOUSE

WASHINGTON

June 21, 1996

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FROM: TODD STERN TDS

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