

July 24, 1996

96 JUL 24 P1:01

MEMORANDUM FOR TODD STERN

FROM: VICTORIA L. RADD

SUBJECT: DEATH OF MRS. LEWIS POWELL

I was just telephoned by Frank Lorson, Deputy Clerk of the U.S. Supreme Court, who wanted to inform the White House of the death of Mrs. Josephine Powell, wife of retired Supreme Court Justice Lewis Powell.

I'm told that she died at home, with the Justice and their three daughters at her side. She had been suffering from cancer. The Justice and Mrs. Powell had celebrated their 60th wedding anniversary this past May.

I would recommend that the President send a letter of condolence. The Justice's home address is:

1238 Rothesay Road
Richmond, Virginia 23221

Chiron

7/24/96

Send to Donsland?

Yes ☒

No ☐

C.

✓ 7.24
Nancy- ~~Stib~~
from ~~seen~~
JMKD

B. Rapoport -

Do you know?

Letter to be
sent?

7/24/96
From the Oral -
Send to Doylsland?
Yes ✓

AS AP -
important

[RECEIVED 07/22 17:28 1996 AT

817-751-8639 PAGE 1 (PRINTED PAGE 1) 1

JUL 22 '96 15:26 No.007 P.01

To: Bernard Rapoport
From: Cindy Olney
96 JUL 24 P2:50

July 22, 1996

To: All Headquarters Personnel

Subject: Death Notice

My office has been informed that Helen Weiner, sister of President Bahr, passed away Sunday, July 21. The funeral will be held on Wednesday, July 24, 12:30 p.m. at

Beth Israel Funeral Chapel
5808 West Atlantic Avenue
Del Ray Beach, Florida 33484
(561/499-8000)

Condolences may be sent as follows:

Mr. & Mrs. Morton Bahr
2737 Devonshire Place
#220
Washington, DC 20008

Contact is Cindy in Bahr's office:
#202-434-1112

Barbara J. Easterling
Secretary-Treasurer

cc: Executive Board

Per Cindy: Monday, 7-22-96

Make donations instead of flowers to:

Hadassah Medical Org.
14737 Wildflower Lane
Delray Beach, FL 33446

Note: Still waiting
to make change.
Yadd something about
what to do in lieu
of sending flowers.

FAX: To: Andrea for NANCY HERA REICH
202-434-~~6703~~ 6703

From: OLINDA HINSLEY

GREER, MARGOLIS
MITCHELL, BURNS
GMMB&A
& ASSOCIATES, INC.

JUL 24 AB: 14

DATE: 7/22/96

TO: BETY - CURRIE

FROM: FRANK GREER

RE:

PAGES TO FOLLOW: 1

COMMENTS: BETY - I WOULD GREATLY APPREZATE
IT IF YOU COULD GET THIS LETTER PUT
ON LETTERHEAD AND SIGNED BY THE PRESIDENT.

AS YOU CAN TELL BY THE DATE, I AM
QUITE TARDY WITH THIS REQUEST.

THANKS,

Frank

The information contained in this facsimile message is confidential and intended solely for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or unauthorized use of this communication is prohibited. If you have received this message in error, please notify the sender immediately by return the facsimile to the sender at the United States Postal Service. Thank

Any questions or comments, please call:
Telecopier #202/338-2334

From oval 7-24-96

BUAKHROT
TO Dorskind for
reply? to prepare
letter

✓ yes

— No

June 21, 1996

Mr. Gary Gayton
2125 1st Avenue, #9004
Seattle, WA 98121

Dear Gary:

It is no great surprise that you would be chosen for the Loren Miller Bar Association 1996 celebrity roast. This prestigious honor reflects your prominent role and lifelong contributions to your community.

I know from personal experience the contributions you have made in this country. I am especially grateful to you as one of my early supporters in Washington state. In addition, you played a central role on the transition team at the United States Department of Transportation where your vast knowledge and experience on transportation issues were invaluable to our efforts.

I value your friendship and only wish that I could be there personally to join you and your many friends to share in this celebration.

With warm regards.

Sincerely,

President Bill Clinton

THE WHITE HOUSE
WASHINGTON

July 23, 1996

MEMORANDUM FOR NANCY HERNREICH

FROM:

J. JIM DORSKIND
DAN BURKHARDT

SUBJECT:

LETTER TO AMBASSADOR BLANCHARD

*Don't
no good. What
Jim & you are missing
here is that if it
remained with a staff member
for a month and you (really
Jim) didn't know about it
& didn't have a regular, eg,
weekly meeting process
in place so as to make
sure you knew what
was going on,
then Jim
isn't
managing.*

This is to explain to you the history of the response to Ambassador Blanchard's resignation letter. There were two major breakdowns in the system. We are in the process of establishing a procedure to correct the first one and had already established a mechanism to address the second one.

First, although the State Department received a cable of the ambassador's letter sometime in March, the Executive Clerk did not receive a draft response from the State Department until May 1. We are working with the Clerk and the State Department to shorten this turnaround time to a week or less.

Second, after the President's response was prepared for sign-off to go into final form, it remained with a staff member for almost one month. And we were not advised, as we should have been, of the problem. By way of explanation -- but, of course, not excuse -- during this time period the staff member in question was struggling with a serious illness in his family that ultimately required him to leave the White House. Unfortunately, the strain of his family situation affected his productivity. In any event, since early June, letters of this stature have been entered into a tracking system so that we can better monitor their progress. We are also working to reduce turnaround time throughout the preparation process.

We have attached a detailed chronology of the events surrounding this letter for your information. Needless to say, the delay in the preparation of this letter was unacceptable. We strive every day to produce a quality product in a timely fashion. If you have any questions, please call either of us.

Attachment

*Jim needed to know
& ~~get~~ important
correspondence moving.*

*Jack's family problems are
understandable, but the blind spot
in this memo is that the manager
(Jim & to a lesser extent you)
has to manage & stay on top
of what his top people are doing or
not doing. If Jack was in trouble,*

BLANCHARD RESIGNATION CORRESPONDENCE CHRONOLOGY

2/14/96 NH receives fax of Canadian Embassy News Release

2/21/96 Staff Sec'y reflects sending copy to Executive Clerk and Corresp. Dep't. (Clerk receives a copy; we have no record or recollection of receipt at that time; in any event, no resignation letter rec'd at that time.)

3/12/96 Blanchard cables State with copy of his resignation letter

3/25/96 Actual resignation letter dated this date

4/1/96 Clerk and Pres. Personnel receive resig. letter through Records Management

5/1/96 Clerk receives resig. letter and draft response (with others) from State Dep't

5/8/96 Resig. letter assigned to Jack for handling

5/9/96 Resig. letter and draft rec'd by Seth Masket (writer) for handling

5/14/96 Draft prepared by Seth and given to Julia Bator (editor) for editing

5/14/96 Julia gives edited draft to Pres. Support for preparation of clean draft

5/16/96 Clean draft prepared by Pres. Support and delivered to Jack

6/14/96 Jack gives edited draft to Pres. Support for azure preparation

6/17/96 Azure prepared and sent to NSC for clearance

6/21/96 NSC signs off, with edits

6/26/96 Final given to Dan Burkhardt for sign off, but he notices error in address

7/9/96 Correct address provided by State Department

7/10/96 New draft with correct address prepared

7/11/96 Dan signs off on corrected address for final

7/11/96 New azure prepared and delivered (that day or within a day or so) to Clerk

7/16/96 (or before) New azure prepared with 7/16/96 date at the request of the Clerk

To Donskind for
Reply?
yes ☒
no ☐

1

Our Father, thou art the final source of all our comforts and to thee we render thanks for this food. But we also remember in gratitude the many men and women whose labor was necessary to produce it and who gather it from the land and afar from the sea for our sustenance. Grant that they too may enjoy the fruit of their labor without want, and may be bound up with us in fellowship of thankful hearts. Amen.

Walter Rauschenbusch

President Bill and First Lady Hillary Clinton

John F. Kennedy and Martin Luther King attribute to the writings of Rev. Walter Rauschenbusch their concern about social issues.

Thank you for your continuing fight for social justice, as exemplified by your recent meeting with business executives and establishment of Ronald Brown award.

Marylou and Walter Raushenbush
3942 Plymouth Circle
Madison, WI 53705



Fundado en 1941

Consejo Interamericano de Comercio y Producción

96 JUL 24 A11:14

Buenos Aires, 10 de julio de 1996

Al Señor
Embajador de los
Estados Unidos de América
D. James Cheek
S / D

De mi consideración:

Quiero, en primer término, hacer extensivos a su persona los conceptos vertidos en la carta adjunta. Asimismo, y abusando de su amabilidad, solicitarle que por su intermedio llegue a manos de su Excelencia, el Sr. Presidente D. William J. Clinton y a las de su Consejero D. Mack McLarty.

Al agradecerle su gestión, reciba mi cordial saludo,

Don Juan José

Julio Werthein
Presidente

7-24-96

From Macle -

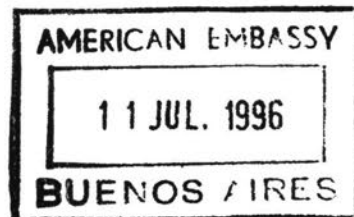
Send to USC for
appropriate action -

Yes ☒

No ☐

C.

*Su Excelencia
Señor Presidente de los
Estados Unidos de América
D. William J. Clinton
S / D*



THE PRESIDENT HAS SEEN

7-24-96

THE WHITE HOUSE

WASHINGTON

June 27, 1996

96 JUN 28 P7:00

173977

MEMORANDUM FOR THE PRESIDENT

FROM:

LEON E. PANETTA
Chief of Staff

SUBJECT:

Friday Activities

LEGISLATIVE ISSUES

Senate Continues Consideration of DoD Bill

The Senate continued consideration of S. 1745, the Department of Defense Authorization bill. The Senate passed a Nunn amendment to the bill by a vote of 96 to 0. The amendment requires you to submit a report on NATO enlargement to the Congress. Additionally, the amendment provides for an independent assessment of NATO enlargement by a 5 member bipartisan review group.

Senate Passes Bill Amending Federal Securities Law

Additionally on Wednesday night, the Senate passed H.R. 3005, a bill which amends federal securities law, by unanimous consent. The bill would ease state regulation of mutual funds, investment advisers and company stock sales. The House passed a similar measure last week.

Senate Passes Resolution Condemning Terrorist Attack

The Senate passed S. Res. 273, a sense of the Senate resolution condemning the terrorist attack on U.S. military personnel in Saudi Arabia by unanimous consent.

Senate Conducts Hearing on FBI Background Files at White House

On Friday, the Senate Judiciary Committee conducted a hearing into FBI background files found at the White House. Anthony Marceca, the Army civilian employee detailed to the Office of Personnel Security, invoked his Fifth Amendment privileges and refused to testify at the proceedings. Senator Hatch said he has instructed his committee's lawyers to discuss with Marceca whether there are any questions he might answer. He said he would also seek an analysis of whether Marceca's claim is valid since he already answered questions at a House hearing on Wednesday.

House in Recess

The House will be in recess next week with no votes expected before 5:00 pm on Tuesday, July 9.

Last night the House considered a motion to table a privileged resolution concerning the Ethics Committee's consideration of allegations against the Speaker. The Committee has refused to forward what Democrats call the most serious allegations to the outside counsel. Currently, the Ethics Committee is investigating two tax-exempt foundations that the Speaker utilized to finance his nationally televised college course. The Republicans offered a motion to table this resolution, which passed 229 to 170.

The House also passed last night the Transportation Appropriations Bill by a vote of 403 to 2.

DOMESTIC UPDATE

Supreme Court Upholds 1996 Antiterrorism Act

The Supreme Court in Felker v. Turpin today unanimously upheld key provisions of the Antiterrorism and Effective Death Penalty Act of 1996, which limits federal appeals by death row inmates. In a decision that was widely expected, the Court held that the Act does not affect the Court's authority to entertain applications for habeas corpus review under its original jurisdiction.

Supreme Court Rules on "Gatekeeping" System

The Court also held that the "gatekeeping" system, which requires a three-judge panel to determine whether a second or successive petition filed in district court satisfies the new requirements for habeas review, does not apply to the Court itself because it is limited to applications filed in the district court. The Court wrote that the new requirements will "certainly inform our consideration of original habeas petitions," but did not decide whether it was bound by such restrictions.

McDonnell-Douglas Strike

The McDonnell-Douglas strike, affecting 6,400 Machinists at the St. Louis military aircraft plant, began June 5, 1996. Tensions have been rising since the company announced shortly after the strike began that they would continue to operate the plant with non-union temporary replacement workers and by moving some production to subcontractors.

Secretary Reich spoke with International Association of Machinists President Kourpias and McDonnell-Douglas CEO Harry Stonecipher. He informed them that both you and he are concerned about the strike and that the Administration urges the parties to remain at the table until they reach a settlement.

At the request of the Federal Mediation and Conciliation Service, the parties did sit down together yesterday morning for the first time since the strike began. The parties have now agreed to meet again next Wednesday.

Staff Secretary's Report

The Staff Secretary today executed on your behalf two items of note: 1) a PDD delegating your authority to USTR Barshefsky under the 1988 Omnibus Trade Act regarding specific trade negotiations with Germany on steam turbines. Trade sanctions would automatically be imposed at midnight tonight (Friday) against Germany unless Barshefsky has the authority to continue the ongoing negotiations and modify the automatic sanctions. My office and NSC/NEC concurred in this decision. You have delegated this authority in the past. 2) a report to Congress certifying Russian compliance with Jackson-Vanik emigration standards.

Empowerment Zones

Yesterday, Senator Mosely Braun introduced on your behalf legislation to create a second round of Empowerment Zones and Enterprise Communities. The bill also included your proposed "Brownfields" tax incentive. Congressman Rangel is preparing to introduce the same legislation in the House of Representatives this week.

Naturalization

The Administration continues its record-breaking naturalization pace. In cities across the country, citizenship ceremonies are at record highs. For example, the 8,000 sworn in last week was the largest class ever in San Diego. On Monday, Carol Rasco and Doris Meissner will participate in a naturalization ceremony in Boston and attend a luncheon in connection with the National Convention of the League of United Latin American Citizens.

Small Revision in GDP Growth

The first quarter GDP was revised downward slightly, from 2.3% to 2.2% (the initial estimate in April was 2.8%). David Jones of Aubrey G. Lanston & Co. said today in reaction that "The economy is pretty much hitting on all cylinders. . . . The second quarter is likely to be better than the first and we have good momentum going into the second half."

Westinghouse Project

We are preparing a memo for you to determine whether to approve a \$120 million Ex-Im Bank loan to finance exports to the Qinshan II power plant project in China (for a group of U.S. companies, including Westinghouse). This approval could be controversial because the procuring entity is the same entity that sold the ring magnets to Pakistan. The memo will also seek approval for a second project that is not controversial.

School Construction Initiative

Gene Sperling continues to lead a working group that is refining possible options on school construction. If you decide to go forward with this at the NEA speech on Wednesday, Gene's group will be prepared with materials for the introduction. We are keeping Laura Tyson updated with developments, should you want to discuss options while on the road. Laura and I will call a meeting on Monday to discuss possible orrisets.

POLITICAL UPDATE

Attached you will find a copy of the daily political memo prepared by Doug Sosnik.

FOREIGN POLICY

Yeltsin's Status

Russian television this evening (Moscow time) showed Yeltsin meeting with campaign officials; he looked tired but alert. Yeltsin aides continue to say that he has a problem with his voice but that he will meet with Lebed and former presidential contenders Yavlinskiy and Fyodorov on Sunday (this sets a benchmark; Yeltsin's staff presumably understands the risk of sending an ominous message about his health to the electorate if Yeltsin does not attend that meeting). No confirmation of the earlier report that Yeltsin had been hospitalized and we believe it was erroneous. Yeltsin is tired and perhaps ill. We do not know how severely.

Saudi Arabia

The Saudis are cooperating with the FBI team in the forensics work at the bomb site, but it is not yet clear how closely we will be integrated into the overall investigation. There are no significant developments to report in the investigation so far. DOD has initiated a further vulnerabilities review, examining whether other facilities need to be better protected or moved.

Haiti

The UN Security Council unanimously extended operations in Haiti through November, including 300 police and 600 (mostly Pakistani) military paid for by UN assessment. In addition there will be an additional 600-800 Canadian military paid for by Canada and the U.S. Consultations with Canada are underway on the details.

North Korea

In meetings with State Department officers, the DPRK conveyed its intent to accept the joint briefing on the four-party proposal if we could first find some way to help the DPRK "save face." The initial DPRK proposal envisions acceptance of the briefing followed by additional food aid and economic sanctions lifting. Once the joint briefing is held, the North expects us to hold the long delayed U.S.-DPRK high level bilateral talks and agree to lift specific sanctions. This proposal is far from acceptable but offers sufficient room to maneuver to get the four-party process underway, perhaps by August.

Bosnia

Press reports that General Ratko Mladic had suffered a massive stroke appear to be unfounded. He was reportedly seen attending Bosnian Serb Army festivities today (Friday) and other reports indicate that the original reporting was misinformation. The SDS party conference is scheduled today to nominate its Presidential candidate for the September elections. Still no clarity on whether Karadzic will decide to run or not, nor on whether he plans to step down as "President" before the elections take place. The various machinations between Pale and Belgrade suggest that whatever happens publicly, Karadzic will remain very much in control of Bosnian Serb politics.

Guatemala

Release of the public version of the IOB's Guatemala review went forward today along with release of additional declassified documents by State, DoD and CIA. It offers hard-hitting findings on asset involvement in human rights abuses and CIA's failure to keep Congress and policymakers adequately informed. Sister Diamma Ortiz, whose case remains under DOJ investigation, is already calling the report a cover up. We are working the press but we can expect some critical reactions. In IOB meetings, Jennifer Harbury seemed positive and the Hill briefings were straightforward. The public release of this report may prompt additional calls for the release of the IOB's report on Iran/Bosnia. The Guatemala review was done for public release from the start. In neither case have we provided anyone a copy of the President's report.



CENTER ON BUDGET AND POLICY PRIORITIES

THE PRESIDENT HAS SEEN
7124194

To: The President

July 15, 1996

From: Bob Greenstein

Subject: Improving the Welfare Bill

*Leon/Hilly
Re: a very
troubling*

I understand how much you want to sign a welfare bill. The current Republican bill remains seriously flawed in critical respects. So the question is how best to secure improvements in it in the next few weeks.

I believe you now have more leverage to secure improvements in it than at any point in the past 18 months. The Republican decision to drop Medicaid from the bill is in large part a switch from a strategy designed to secure a veto to a strategy designed to secure a signature so that House Republicans can show accomplishment and bolster their chances of retaining control of the House. But for a signature, they need you.

As you'll recall, in 1988, Ronald Reagan wanted to sign a welfare bill and the Democratic Congress wanted to enact a bill. But Reagan set some bottom line terms for his signature and played a critical role in shaping the bill in conference as a result. While the circumstances are not identical, there is a reasonable prospect your Administration could still have significant influence on the final bill, a bill that will be a key part of your legacy for decades to come. But I fear that opportunities are not being seized to maximize your impact.

The Problem

*we had agreement
for this*

In its present form, the bill would likely cause serious harm. It cuts \$28 billion from food stamps, slashing the average benefit from 80 cents to 65 cents per person per meal and cutting food stamps nearly \$500 a year for the average family with children by 1998, allows states to convert food stamps to a block grant, and throws 700,000 people off the food stamp program after just 120 days without offering them an opportunity to work. Its legal immigrant cuts are even deeper than in the bill you vetoed; it continues to deny basic subsistence benefits — including even Medicaid — to poor legal immigrant children, the very old, and those who came to the U.S. to work but subsequently became permanently disabled. In the welfare area, children in families that hit the time limit but cannot find work would not receive any type of voucher to help meet the children's basic needs, and the bill's contingency fund would almost surely run out part way through the next recession. Furthermore, the House version of the bill would allow states to withdraw as much as \$62 billion in state funds

EIDC
from income support and work programs over the next six years without losing a dollar in federal funds, as a result of weak maintenance-of-effort provisions and a state option to transfer 30% of federal welfare block grant funds to the Social Services Block Grant. The welfare bill also includes tax increases on working households through cuts in the Earned Income Tax Credit, with a Senate provision that raises taxes on very poor workers without children being particularly egregious. Most of these problems are not present — or are present in significantly reduced form — in the Castle-Tanner and Chafee-Breaux proposals.

✓ The Administration study of last fall which found that the vetoed welfare bill would add 1.5 million children to the ranks of the poor provided an indication of the effects such a bill could have. My staff estimates the new bill would add more than 1.2 million children to the ranks of the poor, the Administration's estimate of the effect of last year's Senate welfare bill. The new legislation has deeper food stamp cuts than the Senate welfare bill, larger legal immigrant cuts, and as noted, a prohibition on use of block grant funds to provide vouchers for poor children whose families have hit the time limit.

* [Incidentally, most of the children who would be pushed below the poverty line are in families that are already working and would be pushed into poverty by the food stamp cuts (or in some cases by a loss of benefits because they are legal immigrants). Families on welfare that aren't working are already poor.

[I'm also very concerned about what may happen to job creation in low-income communities if we remove more than \$50 billion in support from poor households over the next six years. In many poor, inner-city communities, the withdrawal of so much purchasing power is virtually certain to lead to a *loss* of private-sector jobs.

I know you do not want a large increase in child poverty to be part of your legacy. I also know you do not want an increase in the number of poor people without health insurance — another likely result of the Republican bill as it now stands — to be part of that legacy. Probably no President in modern history has cared as much as you about reducing child poverty and shrinking the ranks of the uninsured.

This does not have to be the outcome. But in my view, the Administration needs to take some key steps very quickly to avert this.

Securing Improvements

In your Saturday radio address, you pointed to Castle-Tanner and Chafee-Breaux as the way to go. The question is how to secure the maximum amount of change toward Castle-Tanner and Chafee-Breaux.

Rep. Castle, with whom we've been working, is a key player. Castle's staff tell us his principal motivation is to get a signature on the bill, and that he has told Clay Shaw and the Republican leadership he fears the bill will be vetoed unless improvements are made in various areas that are important to protecting children. If Rep. Castle comes to think you will sign any welfare bill that reaches your desk, this will compromise his efforts. Furthermore, since many House Republicans now feel they need a signed bill, you have leverage on welfare reform you've not had since November 1994.

I think the Administration very much needs to set some "bottom lines" that you must have to sign the bill. I'm convinced the Republicans will move significantly farther in your direction if you do. This need not be done in the form of highly specific items not all of which might be secured. You can say you need significant changes in key issue areas without being overly specific, if that seems safer politically.

Failure to draw bottom lines may lead to the bill moving in the other direction, as various Republican constituencies begin to draw their own lines. For example, Republican governors are indicating they want the authority to transfer large amounts of federal welfare block grant money to areas like the Social Services Block Grant, an authority the House bill gives them but the Senate bill fortunately does not. Probably only you can prevent the House from prevailing in conference on issues such as this. Only you can secure critical changes in other problem areas described above, as well.

This is *not* an effort on my part to suggest a strategy that leads to a veto, but rather a path to secure more improvements before enactment of the bill. Most House Republicans and Republican governors don't want a veto. I believe this gives you leverage the White House is not yet exerting.

I fear that not following such a strategy will lead you to an unpalatable choice — signing a bill that makes you the President who has increased child poverty (and possibly also the ranks of the uninsured) more than your predecessors or vetoing a welfare bill. I appreciate your taking the time to read this memo and stand ready to help in any way I can.



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

THE DIRECTOR

July 24, 1996

huc
96 JUL 24 P4:49

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill H.R. 743 - Teamwork for Employees and
Managers Act
Sponsors - Rep. Gunderson (R) WI and 106 others

Last Day for Action

July 30, 1996 - Tuesday

Purpose

Allows employers to establish teams of management and labor representatives in non-union settings to address workplace issues.

Agency Recommendations

Office of Management and Budget	Disapproval
Department of Labor	Disapproval (Veto message attached)
National Labor Relations Board (NLRB)	No comment
Department of Justice	No comment (Informally)

Background

Section 8(a)(2) of the National Labor Relations Act of 1935 (NLRA) states that it is an unfair labor practice for an employer to dominate or interfere with the formation or administration of any labor organization. Section 8(a)(2) was added to the NLRA to prevent employers from establishing company-dominated unions to avoid recognizing and bargaining with independently organized unions. It also recognizes that it is inappropriate to allow employers to select the employee representatives to serve in organizations designed to discuss issues relating to terms and conditions of employment.

CC to
J
OK
Conno
n

In 1992, the National Labor Relations Board (NLRB) ruled on the legality of employee involvement programs in its decision on Electromation, Inc. case. Electromation, Inc., a small non-union electronics manufacturer, had established so-called "action committees" to address workplace issues such as absenteeism, no smoking policy, and attendance bonuses. In its decision, the NLRB ruled that these committees -- comprised of representatives of management and labor -- violated Section 8(a)(2) of the NLRA because they were dominated by the employer. That decision was later affirmed by the Seventh Circuit Court of Appeals. The Electromation, Inc. case and subsequent NLRB rulings prompted the introduction of H.R. 743.

Major Provisions of H.R. 743

The House Economic and Educational Opportunities Committee report on H.R. 743 states that the bill "signals a new era in employee relations and recognizes that the best workplaces . . . are ones where labor and management work together hand in glove."

Accordingly, H.R. 743 would amend section 8(a)(2) of the NLRA to state that it does not constitute an unfair labor practice for employers to establish, assist, maintain, or participate in any organization, consisting of both employees and management, established to address issues of mutual interest. Issues of mutual interest include, but are not limited to, productivity, quality, efficiency, and health and safety.

The bill also specifies that such employee participation groups may not have, claim, or seek authority to enter into or negotiate collective bargaining agreements or to amend existing collective bargaining agreements. Also, such groups may not claim to seek authority to act as the exclusive bargaining agent of employees. In addition, the bill specifies that it does not apply to unionized workplaces.

Administration Position on H.R. 743

Statements of Administration Policy and Department of Labor letters sent to the House and Senate have stated repeatedly that the Secretary of Labor would recommend a veto of this or other legislation that would permit employers to establish unilaterally employee involvement programs.

These communications to Congress indicated that the NLRA already permits the creation of employee involvement programs that address workplace quality, productivity, and efficiency, with appropriate employee protections. H.R. 743 would undermine such employee protections by allowing employers to establish: (1) company unions where no union currently exists, and (2) alternative, company-dominated unions where employees are in the process of determining whether to be represented by a labor organization. The communications concluded that this would be detrimental to the 60-year tradition of collective bargaining and could undermine employees' rights to elect their own representatives through a democratic process.

Conclusion and Recommendations

We join the Department of Labor in recommending disapproval of H.R. 743, which passed the House by a vote of 221-202 and the Senate by a vote of 53-46.

The Department of Labor has prepared a draft veto message, which is attached to its views letter, for your consideration. The message reiterates the Administration's previous statements that H.R. 743 would undermine crucial employee protections in current law by allowing employers to establish company unions. It also states that the bill would "abolish protections that ensure independent and democratic representation in the workplace and undermine the system of free collective bargaining that has served this country well for many decades." The Department of Justice and the NLRB had no comment on the veto message.



Jacob J. Lew
Acting Director

Enclosures

TO THE HOUSE OF REPRESENTATIVES:

I am returning herewith without my approval, H.R. 743, the Teamwork for Employees and Managers Act, commonly known as the TEAM Act. This Act would undermine crucial employee protections.

My Administration strongly supports workplace practices that promote cooperative labor-management relations. Cooperative efforts, by promoting mutual trust and respect, can encourage innovation, improve productivity, and enhance the efficiency and performance of American businesses.

Current law permits employers to work with employees to improve quality, efficiency, and productivity. As articulated in recent decisions of the National Labor Relations Board, the law leaves room for a wide variety of cooperative workplace efforts, with appropriate employee protections.

The TEAM Act would, however, allow employers to establish company unions where no union currently exists and would permit company-dominated unions where employees are in the process of determining whether to be represented by a union.

Rather than encouraging true workplace cooperation, the TEAM Act would abolish protections that ensure independent and democratic representation in the workplace and undermine the system of free collective bargaining that has served this country well for many decades. True cooperative efforts must be based on labor-management partnership not employer domination. A context of mutual trust and respect encourages the prospect for achieving workplace innovation, improved productivity, and enhanced efficiency and workplace performance.

cc: Higgins
Panetta
Caplan

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
7-24-96

96 JUL 19 08:29

July 19, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: Summary of Cabinet Weekly Reports
July 13 - July 19, 1996

Scanned

DEPARTMENT OF TREASURY

- **State and Local Government Series (SLGS) Securities:** On July 11, Treasury had issues of SLGS securities totaling \$1,037,700,000. This was the largest total of issues received in a single day in recent memory. One issue came in at \$700 million. As of the end of June, the outstanding balance of securities maintained in the SLGS Program was approximately \$97 billion. On July 24, Secretary Rubin will be announcing significant reforms to the SLGS program at an event. These reforms will make it cheaper and easier for state and local governments to finance projects, and are a solid example of reinventing government.
- **Church Fires:** On July 17, the National Church Arson Task Force announced the filing of federal charges against Eric Henry Crowson for the fire at the Audubon Park Baptist Church in Garland, TX. On July 12, Crowson was arrested by ATF agents and local police officers.
- **Planned Parenthood:** On July 12, an explosion occurred at a Planned Parenthood facility in Spokane, WA. The building was closed at the time of the incident. ATF investigations have revealed that two pipe bombs caused the explosion. A witness said that two armed suspects wearing face masks and military camouflage ponchos broke the glass to the front entrance door and threw the devices into the clinic. This attack is similar to another Spokane crime on April 1, 1996.
- **Good Ol' Boys Review:** On July 17, Deputy Assistant Secretary Bresee convened a meeting to review the bureaus' progress in implementing the report's recommendations and progress on the disciplinary process at each Bureau. All Treasury law enforcement

employees, including those in the Office of the Inspector General and IRS, have certified to their agency head that they have read the fifteen recommendations. All recommendations are being implemented.

- **Iraqi Oil Sale Regulations:** The Iraqi Sanctions Regulations (UN resolution 986) were amended this week to establish a general license for U.S. persons to enter into executory contracts with the Government of Iraq for oil purchases and sale of humanitarian goods, pipeline parts and equipment.
- **International Narcotics Hearing:** On July 23, Secretary Rubin, Deputy Secretary Summers and enforcement officials will testify before the Senate Caucus on International Narcotics Control on international drug trafficking and money laundering.
- **Treasury Building Fire Repair Costs:** The Treasury task force estimated the costs of fire damage to the Main Treasury Building at \$30 million to return the building to structural soundness and to pay for other expenses.

Kids & Guns: In response to your announcement regarding the Youth Crime Gun Interdiction Initiative, a number of cities have contacted ATF and Treasury to see if they could become part of this pilot program. These cities include Chicago, Anchorage, Philadelphia, Cincinnati, and New Orleans, and a 21-city compact in northern CA. Unfortunately, no cities can be added to this pilot because of resource limitations, but ATF is urging interested law enforcement officials to work with local ATF offices to trace guns and develop a local trafficking strategy.

- **Arms Exporter Sentenced:** On July 3, Wayne P. Smith, President of Smith Aviation, Inc. was sentenced to 30 months in prison by a Federal court in L.A. Smith violated the Arms Export Control Act by illegally exporting \$3,000,000 worth of aircraft parts for McDonnell Douglas F-4 Phantom II jets to Iran.
- **Appropriations:** On July 16-17, the full House took up the Treasury Postal Service Appropriations Bill under an open rule. The House retained the 11 percent reduction in IRS funds, which will have a significant impact on conducting tax administration and on the IRS's Tax System Modernization program. ATF downsizing comes at a time when ATF is being stretched to respond to church fires, taggant study and other initiatives.
- **Waco Report:** Treasury staff is working with the Minority staff of the House Committee on Government Oversight on a response to the Majority-drafted Waco report. On July 25, the full committee is scheduled to vote on the report, which is expected to be voted out of the committee and sent to the Government Printing Office to be printed for public distribution.

*Rubins
can we find
a way to
put more in?*

7-24-94

✓
Yes
Kantor

Taxpayer Bill of Rights: The Taxpayer Bill of Rights has passed both chambers of Congress and will go to you for signature. Treasury is proposing a signing ceremony to highlight these changes which make the tax system fairer and more responsive to taxpayer needs.

- **Secretary's Schedule:** On July 23, Secretary Rubin will meet with David Sanger to establish background for a *New York Times Magazine* profile piece. On July 24, Secretary Rubin will attend the ground breaking ceremony for the new Secret Service Headquarters, a National League of Cities press event on the SLGS, and an Enforcement Bureau Heads Meeting. On July 25, Secretary Rubin will have breakfast with Chairman Greenspan, attend the Treasury Awards Ceremony, and host a CEO Luncheon.

DEPARTMENT OF COMMERCE

- **Secretary's Schedule:** On July 22-23, Secretary Kantor will participate in the U.S.-South Africa Business Development Committee and Binational Commission meetings with Vice President Gore and South African Deputy Executive Mbeki. On July 25, Secretary Kantor will travel to Detroit for a U.S. Export Assistance Center opening and to deliver a speech before the Detroit Economic Club. On July 29, Secretary Kantor will travel to Middletown, CT for a District Export Assistance Center opening and an event for Rep. Gejdenson.
- **Italy Driftnet Fishing Case:** Following a court ruling on the High Seas Driftnet Fishery Enforcement Act brought by environmental and animal-rights groups, the Italians have until July 28 to either reach an agreement satisfactory to the U.S. or be subject to trade restrictions on all fish, fish products and sportfishing equipment exports to the U.S. The value of these imports could be as high as \$1.3 billion. Last week, a delegation from NOAA and the Department of State negotiated the elements of an agreement that will satisfy U.S. law and avoid imposition of an embargo. While the agreement has not been finalized, the prospects for a positive outcome are good.

DEPARTMENT OF LABOR

- **McDonnell Douglas:** The strike at McDonnell Douglas is well into its second month and negotiators for both parties may be ready to step up the pace of bargaining. After meeting once a week since their first talks on June 27, the parties will meet at least twice this week.
- **Longshoremen:** Members of the International Longshoremen's and Warehousemen's Union have remained at their jobs following the July 1 expiration of their contract with the Pacific Maritime Association. Talks are continuing amid reports of progress. A coast-wide walkout still is not anticipated, but brief stoppages and slowdowns have occurred at individual ports and terminals and such action may continue. Some 8,000 longshore and dockside workers at ports in CA, OR, and WA are covered by the contract.

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- **New York Hospitals:** The strike at 12 NY area hospitals and nursing homes by Service Employees Local 144 entered its fourth week with no apparent progress toward a settlement. On June 24, the stoppage began when about 6,000 technical, maintenance, and service workers left their jobs after being notified that the League of Voluntary Hospitals and Homes would unilaterally implement its final offer for a new contract.
- ✓ **Retirement Savings and Security Act:** On July 24, the Senate Committee on Labor and Human Resources is scheduled to mark up the pension audit provisions of your Retirement Savings and Security Act.
- **Affirmative Action:** The House Judiciary Committee postponed a mark-up on an anti-affirmative action bill for at least two weeks. The Republican leadership, both House and Senate, publicly stated over the weekend that they will not push this bill. The postponement of the mark-up makes it quite difficult for this bill to reach the floor this legislative session.
- ✓ **G.I. Bill for America's Workers:** On July 17, the Workforce Development/CAREERS Act Conference Committee concluded. The Conference Committee report fell along strict party line basis, without any Democratic signatures. Sen. Kennedy offered a Democrat's package of amendments that reflected your concerns and the Administration's position, but this package was defeated.
- **Secretary's Schedule:** On July 22-23, Secretary Reich will travel to Minneapolis and Cleveland to highlight family friendly workplaces and your proposed changes in the Family and Medical Leave Act to provide workers with greater access to flexible work hours. While in each city, Secretary Reich will meet with local labor leaders and participate in several press interviews.

DEPARTMENT OF TRANSPORTATION

- **National Rail Labor Negotiations:** The coalition of shopcraft unions, consisting of the International Brotherhood of Electrical Workers, the International Association of Machinists and the Sheet Metal Workers International Association, have reached agreement with their management counterparts. The agreement, which is subject to rank and file ratification, provides wage increases, improved dental and vision coverage, job stability for the employees and efficiency enhancements for the rail carriers. Two other unions, the Transportation Communications International Union and the Brotherhood of Maintenance of Way Employees, are still in separate negotiations. There is a potential for a strike or lockout commencing at 12:01 am, July 24, if settlement negotiations are not successful.
- **United Kingdom:** Formal negotiations on an open-skies agreement are scheduled for July 18 and 19, in London.

- **Japan:** On July 16, DOT issued a show-cause order that proposes to restrict all-cargo freight carriage by Japan Air Lines, for freight that originates in Cebu and Manila in the Philippines, Beijing and Shanghai in China, and Jakarta, Indonesia. The targeted routes "mirror" traffic routing denied Federal Express by the Japanese government after unsuccessful negotiations in Washington in late June.
- **Fan Hubs:** On July 16, the FAA ordered immediate removal of fan hubs from six Pratt & Whitney JT8D-200 turbofan engines that were found to have manufacturing defects that could result in an uncontained engine failure. Following the July 7 accident involving a Delta Air Lines MD-88 aircraft, a defect was found in a tie bolt hole of the fan hub of the failed engine. The agency has identified six engines with similar anomalies and has removed the engines from service. The FAA's airworthiness directive requires the fan hubs to be removed and replaced with serviceable parts. Three of the engines were owned by Delta Air Lines, and one by Continental Airlines, Ford Motor Company, and FinnAir, respectively.
- **Meigs Field:** The City of Chicago has notified the FAA of its intent to close Meigs Field, a small airport in downtown Chicago, in September. The FAA is currently evaluating this proposal to determine what obligations the City has to the Federal government relative to this plan. IL Secretary of Transportation Brown has written a letter to Administrator Hinson urging him to "bring the agency's considerable resources to bear to prevent Meigs' closure." The FAA has maintained that this issue is primarily a local decision, with appropriate FAA review required.
- **ValuJet:** DOT has received a FOIA request from *U.S. News & World Report* on meetings of FAA officials with the Inspector General in Atlanta in February 1996. The Office of the Inspector General forwarded the request.

UNITED STATES TRADE REPRESENTATIVE

- **Japanese Semiconductors:** Ambassador Barshefsky continues to work towards having a new semiconductor agreement with Japan by the end of July, as agreed upon by you and Prime Minister Hashimoto. Ambassador Barshefsky met with MITI Minister Tsukahara on the margins of the APEC Trade Ministerial in Christchurch, New Zealand. At the meeting, Ambassador Barshefsky agreed to review a new proposal advanced by her Japanese counterpart.
- **NAFTA Dispute Settlement Panel:** On July 15, a NAFTA dispute settlement panel examining a U.S. complaint involving Canadian tariffs on barley, dairy, egg, and poultry of Canada. NAFTA rules require that both parties keep the report confidential; USTR has refused to comment on extensive leaks in the Canadian press. The U.S. has the opportunity

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- **Commerce Compliance Center:** On July 24, Secretary Kantor and Ambassador Barshefsky will formally announce the Commerce Department Trade Compliance Center.

- **Nasdaq Stock Market:** On July 17, the Department announced that twenty-four Wall Street firms had agreed to settle a price fixing investigation on the Nasdaq Stock Market, the nation's second largest stock market after the NY Stock Exchange. The dealers, which included Merrill Lynch & Co. and Charles Schwab's Mayer & Schweitzer unit, had engaged in a widespread practice of quoting stock prices by rounding off prices to the nearest quarter of a dollar. This practice resulted in increased profits at the expense of consumers. The settlement will require brokerages to tape-record and to monitor randomly about 3.5 percent of the telephone calls between brokers. A federal judge in the U.S. District Court for the Southern District of NY must grant final approval of the settlement.
- **IBM Consent Decree:** On July 2, the Department reached a settlement with IBM that will terminate, in stages, the remaining provisions of the government's historic 1956 antitrust consent decree against the company. The Department agreed to terminate the provisions, in stages ending five years from today, because of changes in the competitive climate in the computer industry.
- **Skinheads Conviction:** On July 8, the Eighth Circuit affirmed the defendant's conviction and sentence in U.S. v. Cannon, and the defendants' sentences in U.S. v. Dunnaway & Van Cleave. The defendants in both cases were among a group of five skinheads who attacked an African American man who was sitting in a public park. Cannon appealed his conviction, and all three defendants appealed their sentences.

~~To create the two sub groups~~

- **Terrorism Trial:** Ramzi Ahmed Yousef and two co-defendants, Abdul Hakim Murad and Wali Khan Amin Shah, are currently on trial in Manhattan federal court for conspiring to blow up twelve American airliners in the Far East. All three defendants were apprehended abroad, in Pakistan, the Philippines, and Malaysia, and returned to the U.S. for trial. Yousef is scheduled to be tried later this year for masterminding the 1993 World Trade Center bombing.
- **Dean Dairy Products:** On July 10, Judge Sylvia Rambo of the Middle District of PA entered judgment against Dean Dairy Products, Inc., a subsidiary of Dean Foods, Inc., in the amount of \$4,031,000 for violations of the Clean Water Act. This was the largest Clean Water Act penalty ever awarded to the U.S. by a court.
- **Chicago Alderman Pleads Guilty to Public Corruption Charges:** Ambrosio Medrano resigned as alderman of Chicago's 25th Ward after pleading guilty to accepting bribes and hiring two ghost workers on the City Council Housing Committee which he chaired. He was sentenced to 30 months imprisonment and was ordered to pay \$31,000 restitution.
- **"We the People":** Ten individuals associated with "We the People" were indicted on federal mail fraud and money laundering charges. It is alleged that the defendants obtained claims and \$300 "filing fees" from at least 6,932 persons from 49 states based on the assertion that the nation's monetary and banking system had been declared unconstitutional by a federal court and that those filing claims would share in a multi-billion dollar recovery.
- **Georgia Voting Rights Case:** In earlier proceedings in Abrams v. Johnson and U.S. v. Johnson, the Supreme Court had held that the Eleventh Congressional District in GA, as created by the State following the 1990 census, violated the Equal Protection Clause because race was the overriding factor in drawing the district lines and the use of race was not narrowly tailored to serve a compelling interest. On remand, the district court held that the Second District was similarly unconstitutional. The district court then redrew the congressional districting map, reducing the number of majority-minority districts from three to one. The Supreme Court granted probable jurisdiction in response to our appeal seeking review of that remedial order. On July 19, DOJ filed a brief arguing that the district court's plan contains a greater deviation than necessary from one-person, one-vote principles; that a one-majority-minority district plan violates Section 2 of the Voting Rights Act, because two compact majority-minority districts can be drawn in GA; that the district court's plan departs from the State's own policies to a greater extent than necessary to cure the constitutional violations in the prior plan; and that, by creating only one majority-minority district, it is retrogressive under Section 5 of the Voting Rights Act.
- **Violent Youth Predator Act:** The Violent Youth Predator Act would permit juveniles 14 years or older to be automatically tried as adults when they are accused of federal crimes, would set minimum mandatory sentences for criminals of all ages who use a firearm when

committing a federal crime, would direct the Attorney General to step up efforts to apprehend and convict young criminals, and would give block grants to states which implement tougher laws against juvenile criminals.

- **Press Requests:** The *Los Angeles Times* is doing a piece on the performance of the COPS program, perhaps as part of an *Los Angeles Times* series on the Administration's accomplishments. The *New York Times* may be doing a piece on Congressional attempts to use the oversight process for political attacks on the Administration.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Domestic Violence Hotline:** Since its establishment on February 21, the Domestic Violence Hotline has received over 30,000 calls, far exceeding expectations. Women placed 89 percent of the calls and men placed 11 percent to the hotline. In addition, 64 percent of the callers identified themselves as victims of domestic violence, 19 percent as family and friends of victims and 3 percent as batterers. The remaining 14 percent were professional service providers and members of the public.
- **RU-486:** On July 19, an FDA advisory panel met to consider the safety and efficacy of mifepristone, RU-486, in the context of a new drug application (NDA). In a July 10 letter to Commissioner Kessler, a number of anti-abortion activists requested that the meeting be cancelled, alleging that as many as five of the advisory committee members may have a direct or apparent conflict of interest. On July 16, FDA responded to the letter, assuring the groups that the Agency consulted with the HHS Office of the Special Counsel for Ethics and the U.S. Office of Government Ethics before moving forward with the meeting. Recent consumer letters to FDA supporting approval of RU-486 considerably outnumber those against approval. HHS expects the meeting to generate widespread media coverage.
- **Cyclospora:** Since May, over 850 cases of laboratory-confirmed Cyclospora infection have been reported to the Centers for Disease Control and Prevention. An article which describes the results of study of sporadic cases in NJ and summarizes other cases is scheduled for publication in the July 19, *Morbidity and Mortality Weekly Report*. This article will identify raspberries from some regions in Guatemala as the likely source of the infection. The FDA is working with the Guatemalan government and will continue to keep the State Department informed of activities in Guatemala.
- **WI Welfare Waiver:** HHS is still in the process of reviewing the WI Works "W-2" welfare reform waivers and discussing issues with WI.
- **UT Welfare Demonstration:** As early as next week, Secretary Shalala plans to approve amendments to UT's Single Parent Employment Demonstration welfare reform project. Under the amendments, children must attend school regularly and preschool children must receive immunizations, unless there are religious objections.

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- **Xenotransplantation:** On July 17, the Institute of Medicine, a component of the National Academy of Sciences, issued a report on Xenotransplantation which is animal-to-human transplantation of cells, tissues and whole organs. The report concludes that the potential benefits of Xenotransplantation outweigh the risks involved, but that Federal guidelines and other safeguards need to be put in place before human clinical trials move forward.
- **E. Coli:** Sixty-seven cases of E. Coli infection have been reported in the Chicago area. The implicated food has been identified as red leaf lettuce received from the Salinas, CA, area. In addition, the CT Department of Health has notified FDA about 29 isolated cases (17 confirmed by CDC) of E. Coli. FDA has collected five samples of the suspected salad mix containing ingredients from a distributor that obtained the products from a produce supplier in the Salinas, CA, area. The samples are being analyzed by FDA's laboratories, and results are expected later next week.
- ✓ **Child Support:** *NBC News* is scheduled to air a story this week on child support. The focus appears to be on whose fault it is that states missed the October 1995 deadline for development and implementation of statewide automated child support systems and why many states are likely to miss the revised October 1997 deadline.
- **Medicare Handbook:** *NBC Nightly News* is expected to air a piece next week on the cost of the Medicare Handbook. HCFA Administrator Vladeck and Congressman Thomas were interviewed for this piece.
- **FOIA Request:** *Roll Call* has requested all records regarding travel by House Appropriations Committee staffers at HHS expense from FY93 to FY96.
- **Secretary's Schedule:** On July 22, Secretary Shalala will be in NJ to appear at events with Representative Torricelli, Representative Menendez, and Ruth Katz, candidate for the House in NJ's 2nd District. On July 23, Secretary Shalala will be in Cleveland with Patsy Fleming to appear at a number of events related to AIDS/HIV. Secretary Shalala will also appear at an evening event with OH State Senator Kucinich.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Oklahoma City:** On July 17, Secretary Cisneros participated in Leon Panetta's meeting with Mayor Norick regarding additional federal assistance to help the City of Oklahoma City. HUD will assist the City in expanding the boundaries of its enterprise community to include a portion of the central business district, support a \$23 million supplemental CDBG appropriation in FY97 to cover the cost of rebuilding the downtown area, and waive Davis-Bacon wage requirements to ease the cost-burden for small businesses. Mayor Norick met with members of the Oklahoma City Congressional delegation to galvanize their support.

- **Moynihan:** On July 25, Secretary Cisneros will join Sen. Moynihan in dedicating a new medical center in the South Bronx. With the help of \$365 million in FHA mortgage insurance, the 27-year old Montefiore's Comprehensive Health Care Center has been relocated and expanded, doubling its size to provide better and additional services to its south Bronx community.
- **Secretary Schedule:**

Press Conference on Second Quarter Homeownership Rates	July 22
Portland Regional Homeownership Summit	July 23
Pittsburgh Regional Homeownership Summit	July 30
Announcement on the Home Mortgage Disclosure Act	August 1

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **High Level Contact Group Meeting:** On July 30-31, Director McCaffrey will chair the second annual meeting of the U.S./Mexico High Level Contact Group on Drug Control in Washington D.C. Foreign Secretary Gurria and Attorney General Lozano will represent Mexico. Agenda items include: taking action against the methamphetamine production and entry from Mexico, reviewing the drug situation on the Southwest Border, analyzing the defense of U.S. and Mexican sovereign territory from drug traffickers, and demanding reduction and illegal arms trafficking.
- **Public Service Announcements:** From July 11-17, new ONDCP public service announcements with Director McCaffrey and Olympic track contender in track, Michael Johnson, began airing on *ABC*, *NBC*, *CBS*, *CNN*, and *ESPN*.

SOCIAL SECURITY ADMINISTRATION

- **Supplemental Security Income:** GAO is expected to release the draft report, "Supplemental Security Income: SSA Actions Fall Short in Correcting Erroneous Benefits Paid to Prisoners," in response to a request by Representatives Johnson and Shaw. The report indicates that the GAO study found that benefits were being paid incorrectly to prisoners whose status made them ineligible because of the failure of SSA to regularly obtain information from correctional institutions on prisoners. SSA's response states that rectifying problems relating to erroneous payments to prisoners has been a high priority of Commissioner Chater.

DEPARTMENT OF INTERIOR

- **Otay Mountains Wilderness Study Area (WSA):** On July 16, Secretary Babbitt hiked through the Otay Mountain WSA near San Diego to survey the devastation caused by illegal immigrants using the area to enter the U.S. and by campfires and other human errors. Secretary Babbitt announced that environmental groups will work cooperatively

with other concerned parties to come up with a long range plan to preserve and even to enlarge the WSA, while moving the primary border enforcement effort to the other side of the mountains, in order to prevent the fire hazard.

- **Endangered Species Act:** On July 17, Judge Bunton of the Eastern District of TX decided to delay the limiting of groundwater pumping by San Antonio, two military bases, and others. His decision was based upon the desire to protect endangered species relying on groundwater fed springs in the area and to permit a newly created state regulatory body, the Edwards Aquifer Authority, to address the situation. The judge scheduled another hearing for August 1. Plaintiff environmental groups are seeking substantial cutbacks in pumping.
- **CA Crude Oil:** After an intensive two-year interagency analysis, DOI has concluded that oil companies have been receiving sales revenues higher than publicly posted prices for production on federal lands, both offshore and onshore in CA. Because federal royalty payments are based on publicly posted prices, it is evident that royalties have been underpaid. It is estimated that approximately \$400 million in federal royalties may be owed. Based on preliminary calculations, more than \$70 million would be distributed to the State of CA as their statutorily mandated share of the royalties. On July 18, DOI announced that it is initiating collection activities immediately. It expects to issue its first orders and bills within the next few months and to conclude its audits and billing efforts within a year of when all necessary data are received. DOI has been working with DOJ on enforcement matters. Unpaid royalties from the top 20 producers will be pursued. These 20 companies represent nearly 97 percent of federal production in CA.
- **Congressional Hearings:** On July 23, an oversight hearing is scheduled for the House Resources Subcommittee on National Parks, Forest & Lands concerning the Bureau of Land Management (BLM) and the Forest Service's implementation of your forest plan. On July 25, a hearing has been scheduled for the House Resources Subcommittee on National Parks, Forest & Lands concerning legislation to provide for transfer of the OR and CA railroad grant lands out of Federal ownership which DOI will strongly oppose. DOI might recommend a veto, pending clearance within your Administration.
- **Secretary's Schedule:** On July 24, Secretary Babbitt will travel to Seattle, WA for a Clean Water/Salmon event on the Ship Channel between Lake Washington and the Puget Sound. On July 25, Secretary Babbitt will travel to Portland, OR to attend an event for Elizabeth Furse and to do a Clean Water event on the banks of the Willamette River.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Rising Dairy Prices:** The increase in milk prices is contributing to a growing concern that food prices are increasing more rapidly. The U.S. average price for milk manufacturing in June was \$13.90 per cwt compared to \$11.15 in June 1995. The Basic Formula Price was

\$13.92 per cwt (the highest price since January 1990) compared with \$11.42 a year ago. In addition, prices have been increasing for the butter and nonfat dry milk market.

- **U.S. Agricultural Exports:** U.S. agricultural exports totaled nearly \$32 billion for the first six months of FY96, 13 percent more than during the same period last year. The strong export performance is due to the increased value of bulk commodity sales and steady high-value product exports. Exports have been particularly strong to Asian markets, while exports to Mexico began to recover from the decline in 1995.
- **Strawberries:** Recent news reports of possible contamination of fresh strawberries by the protozoan known as *Cyclospora* are causing problems for the nation's strawberry growers. The USDA has forecasted an increase in the CA strawberry acreage by nearly 4 percent from last year. CA strawberries prices are sharply lower, with some bulk berries selling at the lowest prices since the 1970s. With inventories at record levels, further price declines are probable, at least through the summer.
- **Beef:** A USDA report indicates that rising grain prices continue to drive up feed costs for livestock and poultry producers. However, these costs have been at least partially offset by higher hog, poultry, and milk prices. The export market also remains strong for red meats and poultry.
- **Peaches:** Production prospects for the 1996 GA peach crop are worse than expected. According to the USDA statistics service, the GA crop is expected to produce only 6 million pounds, down 1.5 million from the June forecast and off significantly from last year's 160 million pounds. The SC crop remained at last month's forecasted level of 20 million pounds, compared to the 215 million pounds produced last year.
- **Congressional Hearing:** On August 1, the Senate Energy and Natural Resources Committee will hold a hearing regarding the recent timber salvage sale directive. Secretary Glickman may testify.
- **Illegal Immigration:** On July 19, *ABC's Nightline* is expected to air a segment about illegal immigration in CA's Cleveland National Forest.

DEPARTMENT OF ENERGY

 **Oil Sales:** Since your announcement of the sale of crude oil from the Strategic Petroleum Reserve (SPR), DOE has accepted bids for a total quantity of 6,895,000 barrels worth approximately \$126.2 million, including almost 3 million barrels this week, worth approximately \$53.7 million.

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- **Surplus of Highly Enriched Uranium:** During the week of July 29, DOE expects to release the Record of Decision for the disposition of surplus highly enriched uranium. After evaluating the Environmental Impact Statement, DOE released its Preferred Alternative to blend down the highly enriched uranium to a lower grade for peaceful use as commercial reactor fuel.
- **Los Alamos Laboratory:** On July 16, the Director of the Lab announced a suspension of operations. The suspension followed the electrocution of a graduate student who was working on voltage characteristics of a microwave system. The student is recovering in a local hospital. This is the fourth serious accident at the Los Alamos Lab in the last nineteen months. DOE is investigating this matter.

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• **Donated Computer Software in CA:** This summer, more than 1,000 teachers and their students will benefit from surplus software donated by DOE's Stanford Linear Accelerator Center. This gift is part of a program to improve the teaching of science and technology in elementary and high schools.

Mixed Waste Shipment: DOE's Mound Site shipped 56 drums of mixed waste oil to Diversified Sciences Services Incorporated, at Oak Ridge, TN, for incineration. Mixed waste includes radioactive and chemical compounds. This shipment is Mound's first mixed waste shipment and represents a major cost savings to the taxpayer. Originally, this waste was targeted for treatment at Mound's glass melter, a several million dollar project requiring a special treatment permit and years of effort. Instead, as a result of DOE's recommendation and negotiations with regulators, treatment will be accomplished for a cost of \$200,000.

DEPARTMENT OF EDUCATION

- **Secretary's Schedule:** On July 26, Secretary Riley will deliver remarks at an event for Tobacco Free Kids. On July 29, Secretary Riley will address the summit on religion and education in Wilmington, DE. Participants from DE, NJ, and PA are expected to join the Family Involvement Partnership and become involved in America Goes Back to School. On July 31, Secretary Riley is scheduled to travel to Louisville, KY for the release of *The Condition of Education 1996*.

ENVIRONMENTAL PROTECTION AGENCY

- **District of Columbia Drinking Water:** On July 17, EPA, in consultation with the D.C. Departments of Public Works and Public Health, announced that water samples taken earlier this month indicated that D.C. will exceed the threshold levels for coliform bacteria for the month of July. However, extra chlorine added to the water by the Army Corps of Engineers and the District has been effective in reducing the levels of coliform bacteria.

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- **Administrator's Schedule:** On July 19, the Administrator travelled to Tampa, FL where she presented a \$30,000 grant to Tampa BayWatch to fund high school students' planting of marsh grasses in Tampa Bay. Also while in Tampa, she addressed the Tiger Bay Club, an organization of community leaders and business people, to discuss your Everglades initiative and EPA's reinvention of environmental regulation.

UNITED STATES INFORMATION AGENCY

- **Niger Shuts Down VOA Affiliate:** On July 7, the Government of Niger sent armed soldiers to take over and close Radio Anfani, a VOA affiliate, and another independent radio station, Radio RMFM. This event was widely reported by VOA's French and Hausa Services. When the government offered to permit Radio Anfani to resume broadcasting only if VOA's Hausa and French language programming were dropped, station owner Gremah Boucar refused to accede to the condition. The government's objections appear to be based on the VOA's reporting of the Niger presidential elections and the official U.S. reaction to the electoral fraud.
- **VOA/WORLDDNET:** On July 18, WORLDDNET provided live, simulcast television coverage of "Talk to America," VOA's daily listener call-in program, featuring the First Lady as its in-studio guest. During the hour-long program, the First Lady talked about her travels to Eastern Europe, South Asia and Latin America, and answered questions from callers about the development of and the role of women in these areas.

DEPARTMENT OF STATE

- **Helms-Burton:** Secretary Christopher has made an intensive round of calls to key allied Foreign Ministers to explain your July 16, decision suspending Title III suits. Initial reactions have been relatively supportive. Canada, the UK, and the European Commission have indicated that they are ready to talk about promoting democracy in Cuba. In addition, the EU, Canada and Mexico all stated they are actively considering retaliatory/defensive measures (including moving to dispute resolution in WTO/NAFTA cases, new or toughened blocking statutes, visa restrictions and blacklisting of Title III plaintiffs).
- **Ukraine:** On July 17, Deputy Secretary Talbott visited Kiev and met with President Kuchma. Talbott assured the Ukrainian leadership that NATO enlargement will unfold only in a way that will enhance Ukraine's security. The Ukrainians, for their part, noted that their new constitution contains no provisions against joining military blocs--a hint of Ukraine's increasingly westward lean.
- **Al Khobar Bombing:** The Department continues to push vigorously for Saudi cooperation. Embassy Riyadh reports progress on the list of road closures. However, no progress has been made on the closures around the Joint Economic Commission (JECOR) building in Riyadh. Employees of the Commission will not report to work next week.

unless requested measures are taken. A Diplomatic Security assessment team has begun the process of surveying physical security measures at all USG locations in Saudi Arabia. Their first priority is the international school in Riyadh.

- **ASEAN/AUSMIN:** On July 23-25, Secretary Christopher will lead an interagency delegation to Jakarta, , for the ASEAN Regional Forum and Post Ministerial Conference (ARF/PMC). After Jakarta, Secretary Christopher will travel to Sydney, Australia, and with Secretary Perry and General Shalikashvili, to participate in bilateral political and security discussions with Australian officials July 26-27.
- **Climate Change Conference:** Tim Wirth attended the Second Climate Change Conference in Geneva this week. The Department made clear our opposition to mandatory harmonized policies and measures, but left open the possibility of exploring consensus on procedural measures that might be necessary to implement an international trading regime or ensure enhanced reporting of environmental data

DEPARTMENT OF DEFENSE

- **Saudi Arabia:** Secretary Perry and General Shalikashvili, supported by DCI Deutch, hosted two meetings this week with Members of Congress, to discuss DoD's force protection initiative, counter-terrorism efforts, and the bombing of U.S. military facilities near Dhahran, Saudi Arabia. Secretary Perry made it clear that our national interest requires a continued presence in Saudi Arabia, but that we are considering dramatic changes in our posture. Press interest has focused on the Dhahran bombing and DoD's force protection measures.
- **Bosnia:** DoD has begun the special drawdown of their assets to be turned over for use by the Bosnian Army for equip and training missions.
- **Secretary's Travel:** On July 24-28, Secretary Perry will travel to Australia to attend the Australian Ministerial.

UNITED NATIONS

- **Ambassador's Schedule:** On July 15-20, Ambassador Albright accompanied by Special Emissary for Cyprus, Richard Beattie, is heading a delegation to Greece, Cyprus and Turkey. Visits to the three respective capitals focus on negotiating a settlement to the Cyprus dispute and defusing recent tensions in the Aegean.

CENTRAL INTELLIGENCE AGENCY

- **Saudi Arabia:** CIA continues to follow several leads on possible suspects and are attempting to identify the source of the explosives. In addition, CIA is looking into new threats in Saudi Arabia and elsewhere in the Gulf.

cc: The Vice President
Leon Panetta
Harold Ickes
Evelyn Lieberman
George Stephanopoulos
Alexis Herman
Carol Rasco
Maggie Williams

Michael McCurry
Doug Sosnik
Marcia Hale
Don Baer
Ron Klain
Rahm Emanuel
John Hilley

committing a federal crime, would direct the Attorney General to step up efforts to apprehend and convict young criminals, and would give block grants to states which implement tougher laws against juvenile criminals.

- **Press Requests:** The *Los Angeles Times* is doing a piece on the performance of the COPS program, perhaps as part of an *Los Angeles Times* series on the Administration's accomplishments. The *New York Times* may be doing a piece on Congressional attempts to use the oversight process for political attacks on the Administration.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Domestic Violence Hotline:** Since its establishment on February 21, the Domestic Violence Hotline has received over 30,000 calls, far exceeding expectations. Women placed 89 percent of the calls and men placed 11 percent to the hotline. In addition, 64 percent of the callers identified themselves as victims of domestic violence, 19 percent as family and friends of victims and 3 percent as batterers. The remaining 14 percent were professional service providers and members of the public.
- **RU-486:** On July 19, an FDA advisory panel met to consider the safety and efficacy of mifepristone, RU-486, in the context of a new drug application (NDA). In a July 10 letter to Commissioner Kessler, a number of anti-abortion activists requested that the meeting be cancelled, alleging that as many as five of the advisory committee members may have a direct or apparent conflict of interest. On July 16, FDA responded to the letter, assuring the groups that the Agency consulted with the HHS Office of the Special Counsel for Ethics and the U.S. Office of Government Ethics before moving forward with the meeting. Recent consumer letters to FDA supporting approval of RU-486 considerably outnumber those against approval. HHS expects the meeting to generate widespread media coverage.
- **Cyclospora:** Since May, over 850 cases of laboratory-confirmed Cyclospora infection have been reported to the Centers for Disease Control and Prevention. An article which describes the results of study of sporadic cases in NJ and summarizes other cases is scheduled for publication in the July 19, *Morbidity and Mortality Weekly Report*. This article will identify raspberries from some regions in Guatemala as the likely source of the infection. The FDA is working with the Guatemalan government and will continue to keep the State Department informed of activities in Guatemala.
- **WI Welfare Waiver:** HHS is still in the process of reviewing the WI Works "W-2" welfare reform waivers and discussing issues with WI.
- **UT Welfare Demonstration:** As early as next week, Secretary Shalala plans to approve amendments to UT's Single Parent Employment Demonstration welfare reform project. Under the amendments, children must attend school regularly and preschool children must receive immunizations, unless there are religious objections.

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to provide written comments to the panel by July 29, when the U.S. will seek changes in the final report. On August 15, the panel will issue its final report to the parties. In contrast to the WTO, there is no appeal.

- **Commerce Compliance Center:** On July 24, Secretary Kantor and Ambassador Barshefsky will formally announce the Commerce Department Trade Compliance Center.

DEPARTMENT OF JUSTICE

- **Nasdaq Stock Market:** On July 17, the Department announced that twenty-four Wall Street firms had agreed to settle a price fixing investigation on the Nasdaq Stock Market, the nation's second largest stock market after the NY Stock Exchange. The dealers, which included Merrill Lynch & Co. and Charles Schwab's Mayer & Schweitzer unit, had engaged in a widespread practice of quoting stock prices by rounding off prices to the nearest quarter of a dollar. This practice resulted in increased profits at the expense of consumers. The settlement will require brokerages to tape-record and to monitor randomly about 3.5 percent of the telephone calls between brokers. A federal judge in the U.S. District Court for the Southern District of NY must grant final approval of the settlement.
- **IBM Consent Decree:** On July 2, the Department reached a settlement with IBM that will terminate, in stages, the remaining provisions of the government's historic 1956 antitrust consent decree against the company. The Department agreed to terminate the provisions, in stages ending five years from today, because of changes in the competitive climate in the computer industry.
- **Skinheads Conviction:** On July 8, the Eighth Circuit affirmed the defendant's conviction and sentence in U.S. v. Cannon, and the defendants' sentences in U.S. v. Dunnaway & Van Cleave. The defendants in both cases were among a group of five skinheads who attacked an African American man who was sitting in a public park. Cannon appealed his conviction, and all three defendants appealed their sentences.

Illinois AIDS Discrimination Case: On July 8, the Department entered into a settlement agreement with an IL park district restaurant that allegedly fired a waiter because he had AIDS, in violation of Titles I and II of the Americans with Disabilities Act (ADA). The settlement requires the Decatur, IL Park District to pay the waiter \$17,500 in compensatory damages. The settlement also requires the Decatur Park District to sponsor a training program for employees in all food service facilities it owns or operates, including the Decatur Main Hangar Restaurant. Further, the settlement requires the Decatur Park District to publish in all its employee handbooks and personnel manuals a policy of non-discrimination in employment against individuals who are HIV-positive or who have AIDS.

to
the
President
to
be
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by
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B.

employees, including those in the Office of the Inspector General and IRS, have certified to their agency head that they have read the fifteen recommendations. All recommendations are being implemented.

- **Iraqi Oil Sale Regulations:** The Iraqi Sanctions Regulations (UN resolution 986) were amended this week to establish a general license for U.S. persons to enter into executory contracts with the Government of Iraq for oil purchases and sale of humanitarian goods, pipeline parts and equipment.
- **International Narcotics Hearing:** On July 23, Secretary Rubin, Deputy Secretary Summers and enforcement officials will testify before the Senate Caucus on International Narcotics Control on international drug trafficking and money laundering.
- **Treasury Building Fire Repair Costs:** The Treasury task force estimated the costs of fire damage to the Main Treasury Building at \$30 million to return the building to structural soundness and to pay for other expenses.

*Palmer
can we find
a way to
put more in?*

Kids & Guns: In response to your announcement regarding the Youth Crime Gun Interdiction Initiative, a number of cities have contacted ATF and Treasury to see if they could become part of this pilot program. These cities include Chicago, Anchorage, Philadelphia, Cincinnati, and New Orleans, and a 21-city compact in northern CA. Unfortunately, no cities can be added to this pilot because of resource limitations, but ATF is urging interested law enforcement officials to work with local ATF offices to trace guns and develop a local trafficking strategy.

- **Arms Exporter Sentenced:** On July 3, Wayne P. Smith, President of Smith Aviation, Inc. was sentenced to 30 months in prison by a Federal court in LA. Smith violated the Arms Export Control Act by illegally exporting \$3,000,000 worth of aircraft parts for McDonnell Douglas F-4 Phantom II jets to Iran.
- **Appropriations:** On July 16-17, the full House took up the Treasury Postal Service Appropriations Bill under an open rule. The House retained the 11 percent reduction in IRS funds, which will have a significant impact on conducting tax administration and on the IRS's Tax System Modernization program. ATF downsizing comes at a time when ATF is being stretched to respond to church fires, taggant study and other initiatives.
- **Waco Report:** Treasury staff is working with the Minority staff of the House Committee on Government Oversight on a response to the Majority-drafted Waco report. On July 25, the full committee is scheduled to vote on the report, which is expected to be voted out of the committee and sent to the Government Printing Office to be printed for public distribution.

THE PRESIDENT HAS SEEN

7-21-96

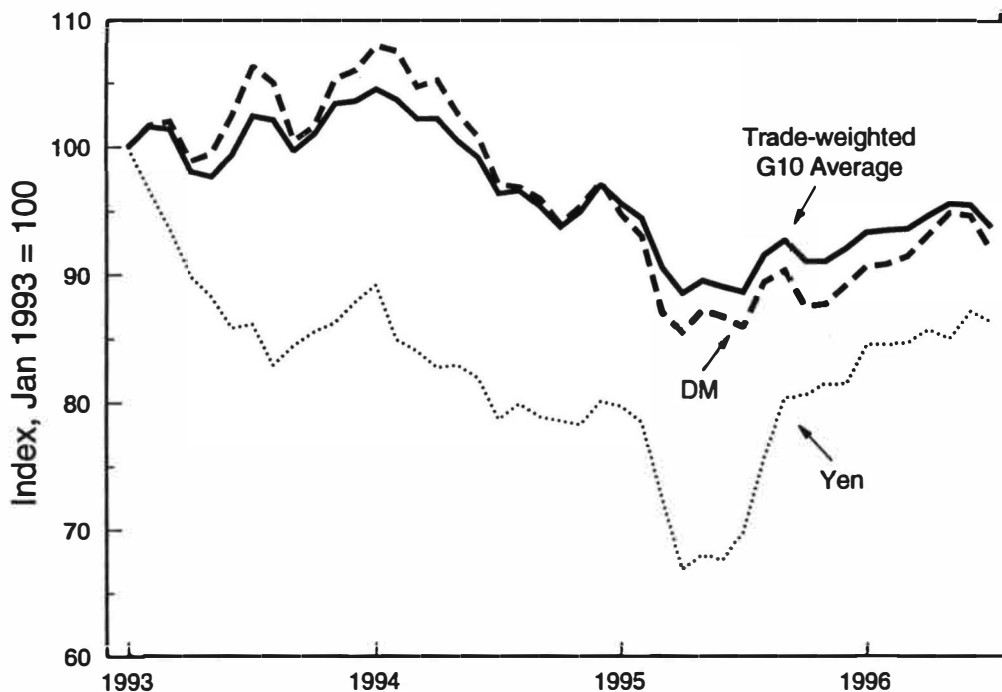
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

July 19, 1996

CHART OF THE WEEK

The 1996 Rise in the Dollar in Perspective



One factor helping to dampen inflation this year has been the strengthening of the dollar, which lowers the price of imports. Recent appreciation has been most pronounced against the Japanese yen; movements against the deutsche mark and the currencies of our other trading partners generally have been much less sharp. The recent rise against the Yen leaves the dollar about 14 percent lower than it was in January 1993.

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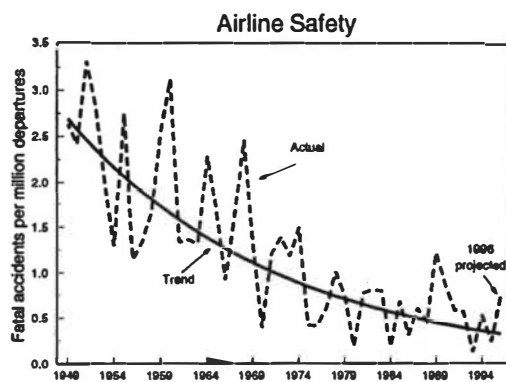
cc: Stiglitz

7-24-96

Regulating Safety in a Deregulated Airline Industry

Recent tragic airline crashes have revived concerns about airline safety. Critics of airline deregulation and competition often claim that flying has become more hazardous. In fact, by virtually any measure, airline safety has improved throughout the history of commercial aviation. Still, a review of the record and of the economics of airline safety is in order.

A record of improvement. The number of fatal accidents per departure has shown a persistent downward trend from 1949 to 1995, according to data from the Air Transport Association (see chart). Unfortunately, as the chart shows, some



years exhibit well-above-average accident rates. On average, however, in the years 1949 to 1958, the rate of fatal accidents was 2.1 per million departures; by the 1986-95 period this accident rate had fallen to 0.6 per million departures (see table). In other words, in recent years the chance of a fatal airplane crash has been just a little more than half the proverbial one-in-a-million.

The average decline in fatal accidents is somewhat more pronounced when measured on a per-aircraft-mile-traveled basis. The data in the table show a tenfold reduction between the 1949-58 and 1986-95 periods, to less than 1 per billion aircraft miles. Data from the National Highway Traffic Safety Administration, by contrast, show about 16 fatal highway accidents per billion miles traveled by car during 1992-93.

Airline Fatality Rates			
Measure	Average Annual Change 1949-95	Average Rate	
		1949-58	1986-95
fatal accidents per departure	-4.5%	2.1 per million	0.6 per million
fatal accidents per traffic mile	-7.3%	9.9 per billion	0.9 per billion

The disasters of 1996. Barely halfway into the year, we have had three fatal plane accidents. Simple projections of numbers of departures indicate that, at this rate, 1996 could be an unusually severe year. The last point on the chart above indicates how much higher this rough projection of the 1996 "fatal accidents per departure" ratio is compared to the trend.

7-24-96

What about deregulation? Since deregulation's inception, critics have claimed that it threatens the safety of air travel. The allegation is that improved technology, better airplanes, and continued safety regulation might have led to even better performance, but for deregulation. According to this criticism, competition in airline service makes it more difficult to monitor airline safety practices because it increases the ease with which new carriers can enter the industry and decreases prices, which in turn increases air travel. A further point is that because competition reduces carrier profits below the levels previously protected by regulation, it reduces the financial penalty borne by unsafe airlines if regulatory enforcement or consumer resistance were to put them out of business.

Simple statistical tests fail to reveal any effect on airline safety that can be attributed to deregulation of the industry in 1978. The data suggest a slight improvement in safety since deregulation, but this is not a statistically significant finding. The fortunate fact that fatal accidents are unusual events makes it difficult to garner much information beyond basic trends.

The role of safety regulation. In principle, market forces should reward airlines that provide the level of safety consumers demand. Among other factors, however, the unusual nature of airline accidents makes it virtually impossible for travelers to assess the safety of particular airlines or aircraft. Because the costs of an uninformed decision could be so high, government has an important role in monitoring and regulating airline safety.

But reduction in the risk of air travel is not without cost. Increased regulation almost inevitably requires increasing the budget of the regulatory agencies. Ticket prices inevitably rise as more stringent safety regulation—requiring newer planes and advanced technology, more thorough maintenance, and perhaps reductions in the availability of flights at certain times and places—increases the cost of air travel.

Paradoxically, requiring greater airline safety beyond some point could make travel in general more risky. For example, higher air fares could lead people to drive instead. One study estimates that by luring people out of cars, lower air fares from deregulation save between 90 and 140 lives per year, on balance.

ARTICLE

Legalized Gambling: A Sure Fire Winner?

Between 1992 and 1994 annual legalized-gambling wagers jumped 46 percent, from \$330 billion to \$482 billion. This has attracted the attention of the Congress, and steps are underway to establish a national commission to study the impact of gambling.

The table shows gambling activity by type; it indicates that Nevada and New Jersey casino gambling activities represented more than half of gross wagers and that state-sponsored lotteries were the single largest source of gross profits. Moreover, as measured by the percentage of wagers retained (an indicator of gross profitability), state lotteries are the most profitable of all the listed gambling activities.

Legalized Gambling Activity: 1994 Wagers and Revenues			
	Wagers (billions)	Gross Revenue (billions)	Profit Rate (percent)
Nevada/NJ casinos	\$283.9	\$10.2	3.6
Cruise ships and riverboats	68.9	3.6	5.3
Indian reservations	41.1	3.4	8.3
State lotteries	34.5	14.1	41.0
Horse and greyhound racing	17.1	3.6	20.9
All other	36.7	5.0	13.6
Total	482.1	39.9	8.3

Notes: Wagers are the total amount bet for each gambling activity. Gross Revenue is wagers minus payouts. Profit Rate is revenue divided by wagers. Source: *International Gaming and Wagering Business*, August 1995.

The extent of gambling. Gambling is ubiquitous:

- Only two states (Utah and Hawaii) have no legalized gambling activity.
- Thirty-seven states and the District of Columbia sponsor lotteries.
- Casino activity is legalized in 10 states (the largest amount of casino activity is in Nevada and New Jersey).
- Riverboat and Indian reservation casinos appear to be among the fastest-growing segments of the gambling industry. Five states had riverboat gambling in 1994, and others are poised to follow. The Bureau of Indian Affairs has approved gambling compacts with 130 tribes, almost one-fourth of all Indian tribes.

7-24-96

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Smoking Bans Help Workers Kick the Habit. Company policies that forbid smoking on the job are effective at getting workers to stop smoking altogether, according to a recent study released by the National Bureau of Economic Research. Workplace bans designed to reduce employees' exposure to passive smoke covered more than two-thirds of the indoor work force in 1993—up from only one-quarter in 1985. The study found that quitting altogether is the easiest way to adjust when it becomes inconvenient to smoke during the day. As a result, indoor workers quit smoking at a faster rate than others. In 1993 only 26 percent of indoor workers smoked, down from 31 percent in 1985. Even workers who failed to kick the habit reduced their daily cigarette intake by 10 percent.

More College Drop-ins Results in More College Drop-outs. A rising number of first-year college students fail to return to campus for their sophomore years, according to numbers recently released by American College Testing (ACT). The dropout rate at 4-year institutions rose to 26.9 percent this year, its highest level since ACT began gathering data in 1983. Several explanations suggest themselves. First, to the extent that college enrollment increases have reflected relaxed admissions requirements, more students may be finding the college workload much harder than they expected. Second, a strong economy and increased job opportunities can lure students into employment and away from campus. Third, more students are enrolling in private colleges, where the dropout rate has been rising more rapidly. Finally, the growing number of non-traditional students—more than 40 percent of enrollment by some estimates—may be more likely to study in a start-and-stop fashion.

Greenspan Testifies. Federal Reserve Chairman Alan Greenspan presented his Humphrey-Hawkins testimony to the Congress on Thursday. Greenspan said that he did not see any direct evidence of rising inflation and that the Fed did not have any firm judgments on the level of output that would engender economic strains. Rather the Fed would respond to evidence that those strains themselves are developing. Greenspan noted that current levels of slack, measured in terms of either the unemployment rate or capacity utilization, have often been associated with rising inflation. Greenspan said two transient—not permanent—factors are holding down inflation: because of worries about job security, workers are accepting smaller compensation increases, and globalization is promoting greater specialization and efficiency. Long-term interest rates fell about 0.1 percentage point during Greenspan's testimony.

also
higher dollar

INTERNATIONAL ROUNDUP

United Nations Reports on State of Human Development. The United States placed second, just behind Canada, in the U.N. Human Development Index rankings for 1996. The index, which was released in a new U.N. report on the state of human development, combines three components of national well-being: life expectancy at birth, educational attainment and adjusted real income. The United States ranked second in real GDP per capita and education, but 18th among industrial nations in life expectancy and in preventing maternal deaths. In another human development index that takes into account gender differences in literacy, education, and share of earned income, the United States ranked fourth, after Sweden, Canada, and Norway.

*When was
we last
1992?*

Israeli Financial Markets in Turmoil As Nation Protests Planned Budget Cuts.

On July 16, one day before a planned nationwide strike, the Israeli stock market dropped nearly 5 percent, its tenth straight day of losses. An important factor behind the stock market's weakness has been a steady upward drift in long-term interest rates. Pressure is mounting—from both the public and private sectors—for a cut in rates as a confidence-boosting measure. The Bank of Israel, however, appears reluctant to do so in the face of rising inflation. The stock market tumble was followed by a general strike on Wednesday, in which some 400,000 public sector workers—roughly one-fifth of the workforce—closed the stock market, banks, public companies and government offices across the country. The work stoppage also crippled hospitals, public utilities and transportation services. The strike was launched to protest the government's planned budget cuts, which would hit social services particularly hard.

Inter-Korean Trade Still Low, but Growth Is Steady. Trade between North Korea and the Republic of Korea (ROK) has grown steadily since the reestablishment of economic ties in 1988. Bilateral trade was \$287 million last year, up from only \$19 million in 1989. Imports from North Korea nevertheless accounted for less than 1 percent of the ROK's total imports in 1995. Since the resumption of trade between the two countries, goods flowing south have represented the bulk of bilateral trade. Reasons include North Korea's scarcity of hard currency with which to pay for imports and the political sensitivity in North Korea over goods identifiably from the ROK. North Korea's exports to the ROK are overwhelmingly primary products. Due to the political sensitivities associated with intra-peninsular trade, most shipments go through third countries. Originally this was primarily Hong Kong, but now most inter-Korean trade flows through China.

THE WHITE HOUSE
WASHINGTON, D.C. 20500

DATE: 7-24

TO: Jack
Peter

FROM: Staff Secretary

Kyl. I assume
you still want to go
forward with your
schedule? Article certainly
suggests the Lott-Daschle
agreement could run into
some ~~to~~ tough sailing (see Faircloth).
TRP

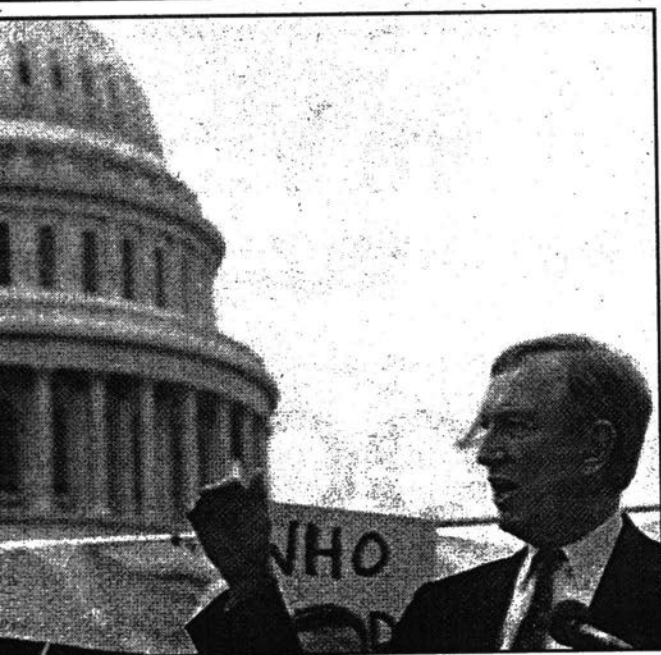
The Hill

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Wednesday, July 24, 1996



TEAMWORK



MAURA BORUCHOW/THE HILL

*called for passage of the Team Act, which would allow
ers to jointly address workplace safety laws.*

an donors fund ic Convention

is footing the bill for every-
ng from a new media pavilion
he coffee Democratic candi-
es will drink.

As a vice-chair of the
Democratic National Conven-
n, Smithburg's company has
nated \$100,000 to Chicago '96,
spite the fact that he hasn't giv-
a dime to the Clinton/Gore
mpaign. And he isn't alone:
ly 15 of the other 71
Democratic convention vice-
airs have donated to President
inton during this election cy-

"[Chicago '96 Co-chair
Richard] Notebaert jokes
about it all the time," acknowl-
edges Julie Thompson, the con-
vention's communications di-
rector. He does more than
chuckle about the apparent
contradiction of Republican
stalwarts funding the opposing
party's convention: He exploits
it. At a Dole fundraiser in
Chicago last August, Notebaert
solicited support from a coterie
of wealthy GOP donors. He
came away with two more con-

Lott, Daschle strike deal on judgeships

By Jennifer Senior

In a striking contrast to Bob Dole, Senate Majority Leader Trent Lott (R-Miss.) has reached an agreement with Minority Leader Tom Daschle (D-S.D.) to confirm 23 judicial candidates nominated by President Bill Clinton.

The agreement is highly unusual. At this point in an election year, the party controlling Congress usually blocks judicial appointments if the White House is controlled by the other party.

As part of the deal, Democrats agreed that four judges supported by Republicans would be confirmed before most of the judges supported by Democrats.

Last April, when then-Majority Leader Dole (R-Kan.) was using the Senate floor to showcase themes for his presidential campaign, he and other Republican leaders were waging war on Clinton's judicial candidates.

Sen. Larry Craig, then-chairman of the conservative GOP Steering Committee, told The Hill on April 23, "There's a general feeling among the [Republican] conference that

no more nominations should move. I think you'll see a progressive shutdown...We're receiving no cooperation from the White House. My response is quid pro quo. I say we recognize that we're not in a state of governance right now. We're in a state of campaign."

But on July 10, just as Daschle and Lott were closing the Senate, they indicated that they had privately reached an agreement to break the impasse.

"I want to thank the majority leader for his effort to work with us," Daschle said. "He has given me his assurance again today that we will attempt — all we can do is attempt — to work through the list of the 23 judges that are currently on the calendar."

As a "down payment," Daschle then said, he would voice no objection to the first two judges cleared that evening. One of them — Gary A. Fenner of Missouri — was strongly supported by Sen. Kit Bond (R-Mo.).

Many Senate Republicans said they were pleased with this new agreement, though they said that it had been Democrats, not

■ CONTINUED ON PAGE 24

GOP women help

Judgeship deal unites Senate Dems, GOP

■ CONTINUED FROM PAGE 1

Republicans, who were responsible for the recent delays in confirming Clinton nominees. "The big logjam has been caused by the Democrats," said Sen. Orrin Hatch (R-Utah), chairman of the Judiciary Committee. "I credit Senators Lott and Daschle for breaking through that logjam."

Hatch explained that a number of Democratic senators have recently held Clinton judicial candidates hostage because they couldn't get their own judges approved.

At least one Republican, Sen. Lauch Faircloth (R-N.C.), said he was surprised by the agreement between Lott and Daschle. "I hadn't heard of it," he said. "I would be for stopping the appointments."

As of this Monday, three other judges with strong Republican backing — Walker D. Miller of Colorado, Frank R. Zapata of Arizona, and Lawrence E. Kahn of New York — had been confirmed, as had five judges strongly supported by Democrats. Now, Senate Democrats are nervously waiting to see whether their remaining 13 judges will continue to pass through the Senate.

But for both leaders, the accord reached by Daschle and Lott is fraught with risks. Lott will be vulnerable to charges from his GOP colleagues that he's being too accommodating, too conciliatory. If he falters, Democrats will criticize him for not keeping his word.

For Daschle, too, this agreement has

potential pitfalls. If the Republicans abruptly decide to resume blocking Clinton nominees, then Democrats will look like they've been duped. What's worse, they'll have no leverage; all four nominees strongly supported by Republicans have already been confirmed since the two leaders' agreement.

"There will be problems for both leaders if this breaks down," said Sen. Byron Dorgan (D-N.D.). "This was a good faith effort."

Of the 23 candidates cleared by the Judiciary Committee, 19 are District Court nominees and 4 are up for seats on Circuit Courts of Appeals.

Until Daschle and Lott had reached their agreement, only three Clinton judicial appointees had been confirmed this year. A total of 20 nominees are still pending in the Judiciary Committee, according to Jeanne Lopatto, the committee press secretary.

Last year, said Lopatto, the Judiciary Committee approved 57 judges, 53 of whom were confirmed by the full Senate.



PAMELA HAZEN/THE HILL

Majority Leader Trent Lott, left, and Minority Leader Tom Daschle, who reached an agreement on the confirmation of federal judges.

Ex-aide accuses Texas Democrat

■ CONTINUED FROM PAGE 1

the office, wash her Mercedes, drop off her dry cleaning, and even move her belongings to a new Virginia apartment.

Compounding matters for the Texas Democrat, a former staff assistant has lodged a discrimination complaint against the congresswoman with the House Office of Fair Employment Practices (OFEP), according to Cones.

Johnson, who acknowledged the pending OFEP complaint, denied all of Cones' charges in an interview Tuesday. The congresswoman said he was a "misfit" in the

hour security camera in her office "to detect candy theft from [her] desk."

However, Johnson said that the camera was installed after the office began experiencing a rash of thefts, and that she suspected someone was rifling through her personal belongings and confidential papers. "I said, 'I've got to find out who is coming in and riffling through my personal items,'" she said.

In an interview, Cones said that Johnson's behavior toward him changed after he decided to stop driving the congresswoman to and from work, a task he

example of a trend in which staffers are becoming more vocal about the alleged misdeeds of their politician bosses. During the past year, Rep. Barbara-Rose Collins' (D-Mich.) staffers have publicly complained about the alleged abuses they suffered at her hands. And a former intern for Rep. Bart Gordon (D-Tenn.) recently told The Hill that he was forced to spend office hours supervising a painting crew at the congressman's house.

"I think what we're really learning," noted Stan Brand, former counsel to the House of Representatives, "is that a lot

*Capitol Hill Center
for
Individual & Family Therapy*

THE PRESIDENT HAS SEEN

7-24-96

THE WHITE HOUSE
WASHINGTON

June 27, 1996

96 JUN 28 P7:00

173977

MEMORANDUM FOR THE PRESIDENT

FROM: LEON E. PANETTA
Chief of Staff

SUBJECT: Friday Activities

LEGISLATIVE ISSUES

Senate Continues Consideration of DoD Bill

The Senate continued consideration of S. 1745, the Department of Defense Authorization bill. The Senate passed a Nunn amendment to the bill by a vote of 96 to 0. The amendment requires you to submit a report on NATO enlargement to the Congress. Additionally, the amendment provides for an independent assessment of NATO enlargement by a 5 member bipartisan review group.

Senate Passes Bill Amending Federal Securities Law

Additionally on Wednesday night, the Senate passed H.R. 3005, a bill which amends federal securities law, by unanimous consent. The bill would ease state regulation of mutual funds, investment advisers and company stock sales. The House passed a similar measure last week.

Senate Passes Resolution Condemning Terrorist Attack

The Senate passed S. Res. 273, a sense of the Senate resolution condemning the terrorist attack on U.S. military personnel in Saudi Arabia by unanimous consent.

Senate Conducts Hearing on FBI Background Files at White House

On Friday, the Senate Judiciary Committee conducted a hearing into FBI background files found at the White House. Anthony Marceca, the Army civilian employee detailed to the Office of Personnel Security, invoked his Fifth Amendment privileges and refused to testify at the proceedings. Senator Hatch said he has instructed his committee's lawyers to discuss with Marceca whether there are any questions he might answer. He said he would also seek an analysis of whether Marceca's claim is valid since he already answered questions at a House hearing on Wednesday.

House in Recess

The House will be in recess next week with no votes expected before 5:00 pm on Tuesday, July 9.

Last night the House considered a motion to table a privileged resolution concerning the Ethics Committee's consideration of allegations against the Speaker. The Committee has refused to forward what Democrats call the most serious allegations to the outside counsel. Currently, the Ethics Committee is investigating two tax-exempt foundations that the Speaker utilized to finance his nationally televised college course. The Republicans offered a motion to table this resolution, which passed 229 to 170.

The House also passed last night the Transportation Appropriations Bill by a vote of 403 to 2.

DOMESTIC UPDATE

Supreme Court Upholds 1996 Antiterrorism Act

The Supreme Court in Felker v. Turpin today unanimously upheld key provisions of the Antiterrorism and Effective Death Penalty Act of 1996, which limits federal appeals by death row inmates. In a decision that was widely expected, the Court held that the Act does not affect the Court's authority to entertain applications for habeas corpus review under its original jurisdiction.

Supreme Court Rules on "Gatekeeping" system

The Court also held that the "gatekeeping" system, which requires a three-judge panel to determine whether a second or successive petition filed in district court satisfies the new requirements for habeas review, does not apply to the Court itself because it is limited to applications filed in the district court. The Court wrote that the new requirements will "certainly inform our consideration of original habeas petitions," but did not decide whether it was bound by such restrictions.

McDonnell-Douglas Strike

The McDonnell-Douglas strike, affecting 6,400 Machinists at the St. Louis military aircraft plant, began June 5, 1996. Tensions have been rising since the company announced shortly after the strike began that they would continue to operate the plant with non-union temporary replacement workers and by moving some production to subcontractors.

Secretary Reich spoke with International Association of Machinists President Kourpias and McDonnell-Douglas CEO Harry Stonecipher. He informed them that both you and he are concerned about the strike and that the Administration urges the parties to remain at the table until they reach a settlement.

At the request of the Federal Mediation and Conciliation Service, the parties did sit down together yesterday morning for the first time since the strike began. The parties have now agreed to meet again next Wednesday.

Staff Secretary's Report

The Staff Secretary today executed on your behalf two items of note: 1) a PDD delegating your authority to USTR Barshefsky under the 1988 Omnibus Trade Act regarding specific trade negotiations with Germany on steam turbines. Trade sanctions would automatically be imposed at midnight tonight (Friday) against Germany unless Barshefsky has the authority to continue the ongoing negotiations and modify the automatic sanctions. My office and NSC/NEC concurred in this decision. You have delegated this authority in the past. 2) a report to Congress certifying Russian compliance with Jackson-Vanik emigration standards.

Empowerment Zones

Yesterday, Senator Mosely Braun introduced on your behalf legislation to create a second round of Empowerment Zones and Enterprise Communities. The bill also included your proposed "Brownfields" tax incentive. Congressman Rangel is preparing to introduce the same legislation in the House of Representatives this week.

Naturalization

The Administration continues its record-breaking naturalization pace. In cities across the country, citizenship ceremonies are at record highs. For example, the 8,000 sworn in last week was the largest class ever in San Diego. On Monday, Carol Rasco and Doris Meissner will participate in a naturalization ceremony in Boston and attend a luncheon in connection with the National Convention of the League of United Latin American Citizens.

Small Revision in GDP Growth

The first quarter GDP was revised downward slightly, from 2.3% to 2.2% (the initial estimate in April was 2.8%). David Jones of Aubrey G. Lanston & Co. said today in reaction that "The economy is pretty much hitting on all cylinders. . . . The second quarter is likely to be better than the first and we have good momentum going into the second half."

Westinghouse Project

We are preparing a memo for you to determine whether to approve a \$120 million Ex-Im Bank loan to finance exports to the Qinshan II power plant project in China (for a group of U.S. companies, including Westinghouse). This approval could be controversial because the procuring entity is the same entity that sold the ring magnets to Pakistan. The memo will also seek approval for a second project that is not controversial.

School Construction Initiative

Gene Sperling continues to lead a working group that is refining possible options on school construction. If you decide to go forward with this at the NEA speech on Wednesday, Gene's group will be prepared with materials for the introduction. We are keeping Laura Tyson updated with developments, should you want to discuss options while on the road. Laura and I will call a meeting on Monday to discuss possible offsets.

POLITICAL UPDATE

Attached you will find a copy of the daily political memo prepared by Doug Sosnik.

FOREIGN POLICY

Yeltsin's Status

Russian television this evening (Moscow time) showed Yeltsin meeting with campaign officials; he looked tired but alert. Yeltsin aides continue to say that he has a problem with his voice but that he will meet with Lebed and former presidential contenders Yavlinskiy and Fyodorov on Sunday (this sets a benchmark; Yeltsin's staff presumably understands the risk of sending an ominous message about his health to the electorate if Yeltsin does not attend that meeting). No confirmation of the earlier report that Yeltsin had been hospitalized and we believe it was erroneous. Yeltsin is tired and perhaps ill. We do not know how severely.

Saudi Arabia

The Saudis are cooperating with the FBI team in the forensics work at the bomb site, but it is not yet clear how closely we will be integrated into the overall investigation. There are no significant developments to report in the investigation so far. DOD has initiated a further vulnerabilities review, examining whether other facilities need to be better protected or moved.

Haiti

The UN Security Council unanimously extended operations in Haiti through November, including 300 police and 600 (mostly Pakistani) military paid for by UN assessment. In addition there will be an additional 600-800 Canadian military paid for by Canada and the U.S. Consultations with Canada are underway on the details.

North Korea

In meetings with State Department officers, the DPRK conveyed its intent to accept the joint briefing on the four-party proposal if we could first find some way to help the DPRK "save face." The initial DPRK proposal envisions acceptance of the briefing followed by additional food aid and economic sanctions lifting. Once the joint briefing is held, the North expects us to hold the long delayed U.S.-DPRK high level bilateral talks and agree to lift specific sanctions. This proposal is far from acceptable but offers sufficient room to maneuver to get the four-party process underway, perhaps by August.

Bosnia

Press reports that General Ratko Mladic had suffered a massive stroke appear to be unfounded. He was reportedly seen attending Bosnian Serb Army festivities today (Friday) and other reports indicate that the original reporting was misinformation. The SDS party conference is scheduled today to nominate its Presidential candidate for the September elections. Still no clarity on whether Karadzic will decide to run or not, nor on whether he plans to step down as "President" before the elections take place. The various machinations between Pale and Belgrade suggest that whatever happens publicly, Karadzic will remain very much in control of Bosnian Serb politics.

Guatemala

Release of the public version of the IOB's Guatemala review went forward today along with release of additional declassified documents by State, DoD and CIA. It offers hard-hitting findings on asset involvement in human rights abuses and CIA's failure to keep Congress and policymakers adequately informed. Sister Diamma Ortiz, whose case remains under DOJ investigation, is already calling the report a cover up. We are working the press but we can expect some critical reactions. In IOB meetings, Jennifer Harbury seemed positive and the Hill briefings were straightforward. The public release of this report may prompt additional calls for the release of the IOB's report on Iran/Bosnia. The Guatemala review was done for public release from the start. In neither case have we provided anyone a copy of the President's report.