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THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

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August 2, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: KITTY HIGGINS *Kitty*
SUBJECT: Summary of Cabinet Weekly Reports
July 27 - August 2, 1996

*Copy sent to
Leon Panetta
Phil Caplan*

DEPARTMENT OF TREASURY

- **Olympics Security:** The ATF continues to work with the FBI and other law enforcement agencies on the investigation of the Centennial Park bombing. On July 29, a contingent of DOJ recruit personnel and their supervisors arrived in Atlanta, from the Federal Law Enforcement Center in Glynco, GA, to aid in magnetometer and venue security functions.
- **NAFTA Country-of-Origin Marking:** DOJ is asking the Court of International Trade to reconsider its holding in CPC International v. U.S. CPC challenged a Customs ruling that under the new NAFTA country-of-origin marking rules, CPC's "Skippy" peanut butter must be marked as "made in Canada" because it includes some Canadian peanut slurry. The court held that Customs has no authority to substitute NAFTA country-of-origin marking rules for pre-NAFTA marking rules. The U.S. brief will argue that the NAFTA Implementation Act gives Customs authority to adopt new marking rules.
- **Puerto Rico Cocaine Seizure:** On July 20, 2,180 pounds of cocaine were discovered floating in bales along the coast of Fajardo, PR. Customs and the Puerto Rico Police Department retrieved the drugs from the ocean.
- **WA Bombing Fugitive:** On July 24, ATF agents from the Spokane, WA field office arrested fugitive Paul James Cavanaugh. Cavanaugh, who was being sought on firearms charges, is a suspect in the April 29, 1996 bombing of a Spokane Administration Building. At the time of his arrest, Cavanaugh was armed with a fully automatic Uzi rifle, an explosive device, two Bowie knives, and martial arts throwing stars.

- ✓ **District of Columbia:** On July 30, Secretary Rubin met with Leon Panetta and other top Administration officials to discuss a package of targeted incentives and proposals for D.C. It was decided that the Administration would further develop initiatives to upgrade D.C.'s Enterprise Community to an Empowerment Zone, facilitate school construction, enhance public safety, create a new homeownership program, and ensure safe drinking water. Treasury will work closely with OMB to develop an implementation strategy.
- ✓ **Church Fires:** On July 26, Assistant Secretary Johnson traveled to Charleston, SC, with ATF Special Agent in Charge Logan and Assistant Attorney General Patrick to meet with local investigators and prosecutors to discuss the progress of all church arson investigations in SC. ATF is investigating recent church fires in Frederickstown, MS and Camden, AR, which have received extensive media coverage.
- ✓ **Mexican Prepayment:** Initial market reaction to the announcement of a \$7 billion prepayment by Mexico to the U.S. was very positive. \$6 billion of the prepayment will come from completion of an oil-backed transaction early next week, and \$1 billion will come from other market financing. The oil-backed transaction will assist in extending the maturity of Mexico's external debt.
- ✓ **Taggants Study:** Treasury and ATF officials are working with officials from the White House and Congress on a proposal which would fund the taggant study required by the 1996 Anti-Terrorism Bill. The proposal also would remove the existing exclusion from the study of black and smokeless powder. ATF estimates it will need \$36 million to conduct the study. Efforts are underway to obtain the necessary budget authority.
- **Sweatshops:** Treasury is working with NEC, USTR and DOL on organizing a voluntary garment industry initiative.
- **Secretary's Schedule:** On August 6, Secretary Rubin will make remarks to a group of African American businessmen from around the country sponsored by Congresswoman Waters and meet with the White House Fellows. On August 7, Secretary Rubin will have breakfast with Chairman Greenspan and attend the Swearing-In Reception for Under Secretary for Enforcement, Ray Kelly.

DEPARTMENT OF COMMERCE

- **Defense Conversion Grant:** On August 2, Secretary Kantor along with Mayor Thorton will announce a \$4.1 million Economic Development Agency (EDA) grant to the city of San Antonio, TX, for Defense Economic Conversion Assistance.

- **U.S.-Mexico Border Infrastructure Conference:** On August 4-6, Secretary Kantor will host the U.S.-Mexico Border Infrastructure Conference in San Antonio, TX, with an expected 300-400 high level public and private sector participants. Secretary Cisneros and FHWA Administrator Slater will join Secretary Kantor and Assistant Secretary Ginsberg to address infrastructure needs and financing options in the energy, environmental, transportation and housing sectors.
- **Secretary's Schedule:** On August 6, Secretary Kantor will participate in announcing the future site for a U.S. Export Assistance Center in Portland, OR, with Senator Wyden, Representative Furse and Mayor Katz.

DEPARTMENT OF LABOR

- **Minimum Wage and Small Business Tax Package:** On July 31, the minimum wage/small business tax legislation conference committee completed the bill that will allow for a two step minimum wage increase. In response to your Administration's concerns, the bill includes the Work Opportunity Tax Credit.
- **Worker Safety:** On August 7, Secretary Reich will announce an initiative to improve worker safety in the nursing home industry.
- ✓ **401(k) Security:** On August 6, Secretary Reich will announce further pension protection efforts, including a rule to strengthen protection of worker contributions to retirement plans.
- **Media Activities:** On August 7, Secretary Reich will host a roundtable with reporters and editors from major weekly magazines to discuss your Administration's economic accomplishments.

DEPARTMENT OF TRANSPORTATION

- ✓ **Airline Security:** On August 2, *ABC News* reported that, last year, teams of plain clothes agents from the FAA tried to get simulated weapons and bomb components past security check points at 19 major airports. At one of them, the agents were able to get what should have been obvious weapons, fake guns, dynamite, and blasting caps, past security check points 25 percent of the time. Nearly all the airports had a far worse record detecting more sophisticated weapons such as plastic explosives. In fact, in one airport, security personnel were able to spot simulated plastic explosives only 10 percent of the time. The FAA states that the year-old report was designed to uncover flaws in the system and that security has been greatly increased since then.

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TWA Crash: As of July 31, 184 bodies have been recovered. The Coast Guard Group in East Moriches, normally staffed by 60 personnel, has grown to a staff of over 2,000 from federal, state and local agencies. DOT continues to assist the NTSB, FEMA and other federal agencies in addressing the needs and concerns of the victims' families. The Red Cross and NTSB have urged families who remain in NY to return home. NTSB has promised to provide daily briefings for these families while the search and recovery continues. Plans are in place to notify all families should the FBI take control of the investigation.

Cruise Ship Fire: On July 28, the cruise ship *Universe Explorer* of Commodore Cruise Lines, while sailing west of Juneau, experienced a fire that was started in the ship's laundry room. Of the 730 passengers and 230 crew members onboard, there were 5 fatalities and 76 injuries. The NTSB and the Coast Guard are leading the investigation.

- **Grand Canyon Noise Update:** On July 24, the FAA issued a Notice of Proposed Rulemaking to limit the effects of noise created by commercial overflights of Grand Canyon National Park. The proposal would expand the areas of the Park in which sightseeing aircraft are prohibited from 45 percent to 87 percent. In addition, the FAA proposes to impose both a cap on the number of sightseeing operators and flights, and a curfew on the hours of operations.
- **Brake Hose Recall:** In July 24 letter, Mitsubishi indicated that it will recall approximately 93,000, 1992-94 Diamante, 1991-94 3000GT, and 1992-93 Montero vehicles for insufficient length of front brake hose assemblies. Dealers will replace the hoses which may develop cracks and leak.
- **Terrorism Prevention Bill:** DOT has submitted a Transportation Terrorism Prevention Bill to OMB for clearance. The legislation is intended to help prevent terrorist attacks against rail, mass transit, and freight passengers and employees, and hazardous material transporters. The bill would significantly advance safety and security on U.S. transportation systems.
- **Passenger Manifest:** DOT has been working to expedite the rulemaking requiring the collection and availability of airline passenger manifests for international flights for family notification.
- **NAFTA Hearing:** On August 8, the House Transportation and Infrastructure Subcommittee on Surface Transportation will hold a hearing on NAFTA, border infrastructure and motor carrier safety in Laredo, TX. FHWA Administrator Slater will testify.

UNITED STATES TRADE REPRESENTATIVE

- **U.S./Japan Talks:** On July 29, Ambassador Barshefsky traveled to Vancouver, Canada, to conduct three days of final-round consultations with MITI Minister Tsukahara on U.S. efforts to reach a new semiconductor agreement with Japan. The U.S. and Japan were not able to reach an agreement because Japan did not offer an agreement that maintained market access. Ambassador Barshefsky also met with Japanese Finance Minister Wataru Kubo on Japan's measures to liberalize its insurance market. An agreement was not reached.
- **Brazil Autos:** Japan invoked WTO dispute settlement procedures to challenge Brazil's investment measures in the automobile sector that discriminate against foreign auto manufacturers, measures that also affect U.S. interests. USTR is preparing a similar challenge against Brazil and is seeking interagency clearance to proceed as soon as possible.
- **Turkey Box Office Revenue Tax:** Turkey conceded during consultation under WTO dispute settlement procedures that its discriminatory tax on box office revenues from imported movies violated the GATT, as the U.S. had alleged. Turkey has agreed to issue the necessary decree to change its practice by the end of the year.

SMALL BUSINESS ADMINISTRATION

- **Empowerment Zones/Enterprise Communities:** SBA has had numerous events to highlight the resources of designated Empowerment Zones/Enterprise Communities (EZ/EC). On July 27, approximately 500 people attended an SBA sponsored EZ/EC event in East St. Louis, MO. On July 29, nearly 250 people attended the SBA event in Buffalo, NY.
- **PA Small Business Meetings:** On July 31, Deputy Administrator Lew initiated a series of small business owner meetings for women, known as "Equity Matters." The meetings are designed to learn from women business owners what needs to be improved in SBA's service delivery to women.
- **Border Conference:** On August 5, Deputy Administrator Lew will attend the Southwest Border Conference in San Antonio, TX, where she will join Secretary Kantor and Mexican Minister of Economy Blanco to discuss NAFTA cross-border issues.

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FEDERAL EMERGENCY MANAGEMENT AGENCY

- **Oklahoma City:** Director Witt has been working on a report regarding outstanding issues related to the bombing in Oklahoma City. FEMA has prepared a draft report identifying issues which the federal government may seek to address. Director Witt has asked each agency to review it and provide responses and solutions. The final report is expected to be submitted to you in two weeks.

DEPARTMENT OF JUSTICE

- **Ballistic Missile Act:** Forty-one members of Congress have filed suit against you and Secretary Perry, alleging violations of the Ballistic Missile Defense Act of 1995 and the DoD Appropriations Act of 1996. Plaintiffs allege that DoD had announced its intention not to restructure the core missile defense program and that expenditures for the Future Years Defense Plan will be reduced. Plaintiffs contend that a failure to restructure the program violates the 1995 Act, and that a refusal to spend the necessary funds to continue this program is illegal.
- **White House Drug Testing Program:** On July 24, in Stigile v. Clinton, D.C. District Court Judge Richey ruled for plaintiffs in the case of two OMB employees who challenged the constitutionality of their inclusion in your Administration's random drug testing program. Under the terms of the Drug-Free Workplace Plan, plaintiffs were subject to random drug testing because they were issued passes that gave them access to the OEOB, and therefore to areas frequented by you and Vice President Gore. Judge Richey held that random drug testing of plaintiffs violates the Fourth Amendment.
- **Internet Service for Disabled:** On July 26, DOJ's Disability Rights Section began service to the public on a newly created Americans with Disabilities Act (ADA) "home page" on the Internet's World Wide Web. The home page provides basic information about the ADA and DOJ's ADA responsibilities.
- **U.S./Switzerland Forfeited Funds:** On June 12 and 14, Switzerland transferred a total of \$12.3 million to the Eastern District of NY, following a forfeiture action in Geneva. This amount represents 50 percent of the total funds forfeited by the Manual Garcia/Gaitan-Ortiz narcotics organization. Information from several U.S. federal investigations pending made it possible for Switzerland to identify the account holders containing the narcotics funds.
- **WV Drug Trafficking Case:** On July 15, Tyheim and Trevor Little, brothers from NYC who ran an extensive crack distribution network in Charleston, WV, were both sentenced to life in prison in the Southern District of WV.

- **Voting Rights:** On August 1, the U.S. filed its brief in Reno v. Bossier Parish School Board, asking the Court to reverse the decision of the U.S. District Court of D.C. that grant clearance to a racially discriminatory redistricting plan adopted by the Bossier Parish, LA.
- **CA Motor Voter:** On July 22, the Northern CA district court submitted an order that in 30 days CA submit a report containing outlined procedures that the state will follow when it receives information that agencies are not complying with National Voter Registration Act (NVRA). The state will also provide information regarding the break-down of NVRA registrations and extend certain remedial relief.
- **Attorney General's Schedule:** On August 3, Attorney General Reno will address the FL Bar's Government Lawyers Section Luncheon in Orlando, FL. On August 12, she will address the 39th Convention of the Southern Christian Leadership Conference.
- **Press/Media Inquiries:** *Harpers Magazine's* monthly index is planning to compare the number of judges appointed in Bush's election year vs. your election year. The *New York Times* is doing a three-part series on Doris Meissner and the INS.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Restaurant Nutrition Labeling:** On August 2, *Federal Register* will include a final rule requiring that restaurant menus comply with the Nutrition Labeling and Education Act (NLEA). In a suit filed by Public Citizen and the Center for Science and the Public Interest, the U.S. District Court for D.C. ruled that Congress intended that restaurant menus be included under the NLEA requirements and ordered that a final rule be published within 30 days. The rule, which provides great flexibility for restaurants and preempts states from issuing inconsistent regulations, becomes effective in May 1997.
- ✓ • **MA Health Coverage:** On July 24, the MA legislature over-rode Governor Weld's veto giving final approval to a state program providing health coverage for up to 160,000 uninsured children and prescription assistance for 65,000 elderly. The new health program will be phased in with a 25 cent tax increase on tobacco products. The tax increase should raise about \$110 million per year; federal Medicaid funds would contribute another \$150 million.
- **MA Cigarette Ingredients:** Last week, the MA legislature completed a bill that will make it the first state in the nation to require cigarette makers to disclose all the ingredients in their tobacco products. Governor Weld is expected to sign the bill. The tobacco industry has indicated they will sue based on federal law violations.

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- **Indian Health Facilities:** As early as next week, HHS and DoD will be transferring more than \$4 million in medical equipment from DoD to Indian health care facilities across the nation. The operation, known as project "TRANSAM," is part of the DoD's Civil-Military Cooperative Action Program, that enhances military readiness for the reserves while addressing important domestic needs. The transfers are possible because of DoD downsizing efforts and the availability of medical materials resulting from base closures.

✓ **CA Welfare Waiver:** Next week, Secretary Shalala may announce the approval of "Maximum Family Grant", a statewide amendment to CA's "Work Pays Demonstration Project." This will be the sixth waiver approved for CA, and the 70th approved under your Administration.

- **Spinal Cord Research:** On July 26, in the issue of *Science*, the Karolinska Institute reported that under the proper conditions, nerve cells can show limited growth across a severed rat spinal cord to produce movement in paralyzed limbs. Although the animals did not recover normal movement, the experiments indicated that growth of fibers across the site of injury is possible, encouraging further work.

✓ **MT's Mental Health Waiver:** HHS will be approving MT's proposal for the MT Mental Health Access Plan. Under the plan, MT will provide a statewide mental health program for all residents eligible for public health services.

✓ **CA Head Start Suspension:** A recently completed audit of the East Bay Perinatal Council, a Head Start program in Oakland, CA, has uncovered serious problems in the administration of Head Start funds. After carefully reviewing the findings, HHS intends to suspend funding to the program within the next few days. HHS is working to ensure that services continue to the families served by this program.

- **Secretary's Schedule:** On August 6, Secretary Shalala will be in Minneapolis, MN, to appear at a series of events with Senator Wellstone. On August 7, she will be in MI, to appear at series of events with Congresswoman Rivers. On August 8, Secretary Shalala will be in Detroit, MI, to attend several events with Congressman Levin.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

✓ **Homeownership:** On August 7, Secretary Cisneros will visit D.C.'s Columbia Heights neighborhood to unveil a national plan to help 25,000 families living in public housing become homeowners by the year 2000. This will mean a dramatic acceleration of an effort which has already created almost 4,000 homeownership opportunities for public housing families.

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- **Older American Homeownership Loans:** On August 9, Secretary Cisneros will be in Miami, FL, to host a regional homeownership summit with Mayor *Pro Tem* Arthur Teele. The summit will focus on HUD's efforts to expand the reverse mortgage program to help more older American homeowners convert the equity in their homes into cash. The new line of credit provided by these loans will help older Americans continue to live independently, remain in their own homes, and afford the cost of health-care and other expenses.
- **Minority Housing Plan:** On August 13, Secretary Cisneros will address the National Urban League at its national conference in New Orleans, LA, to announce a new effort to expand homeownership opportunities for minority families. The Government National Mortgage Association's (Ginnie Mae's) Targeted Lending Initiative will provide a reduction on the guarantee fee for lenders who target their financing efforts to families in underserved communities.
- **Secretary's Travel:** On August 14, Mayor Emanuel Cleaver will join Secretary Cisneros in hosting the Kansas City Regional Homeownership Summit.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Events in Detroit, MI:** On August 1, Director McCaffrey addressed a meeting of 57 Detroit church congregations engaged in anti-drug programs. On August 2, Detroit, Director McCaffrey met with state and local law enforcement officials and visited a Boys & Girls Club-sponsored drug prevention program.
- **Secretary's Travel:** Next week in Kansas City, MI, Director McCaffrey will participate in Drug-Free Awareness Month activities. He will attend a ribbon cutting ceremony at a reclaimed crack house and address a business forum on drug-free workplaces. In St. Louis, MI, Director McCaffrey will also receive a briefing on the regional drug situation from DEA and FBI, conduct an interview with the *St. Louis Post-Dispatch*, and address a D.A.R.E. America convention.

DEPARTMENT OF INTERIOR

- **NM Indian Gaming:** Last week, a federal district court ruled against the NM tribes, holding that the gaming compacts signed by the tribes and Governor were invalid due to lack of legislative approval. On July 25, the NM district court issued a stay of its order declaring the compacts invalid. The court reasoned that a stay was appropriate because the possible hardships to the tribes and that the legal question was a close one. The stay will allow the tribes to continue gaming while the matter is on appeal to the Tenth Circuit Court of Appeals. DOJ has not determined whether to ask the Tenth Circuit to lift the stay.

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- **Headwaters Forest Negotiations:** On July 30, DOI continued to make advances in negotiations with Maxxam, Inc. Chairman Charles Hurwitz. The focus of current negotiations is the value of the 3,000 acres of ancient redwoods and a 1,500 acre buffer called Headwaters Grove. Maxxam representatives contend the 1993 Forest Service appraisal of \$500 million is valid; DOI's negotiating team disagrees.
- **NJ Federal Sand and Gravel Lease:** In February 1996, the Minerals Management Service (MMS) received a request to hold a lease sale for Federal Outer Continental Shelf sand and gravel resources offshore NJ. MMS published a *Request for Information and Interest* in the *Federal Register*. MMS received about 60 comments, mostly from individuals opposed to the lease sale due to presumed impacts on the environment, tourism and fishing. In an effort to be responsive to constituents and Congress, MMS is participating in several hearings and public meetings. On August 6, MMS will testify before a Field Hearing of Congressman Saxton's House Subcommittee on Fisheries, Wildlife and Ocean. On August 12, MMS will participate in a forum on environment and shore protection in Belmar, NJ, with Congressman Pallone, and will participate in a town meeting in late August for Congressman Smith. No decision concerning a lease sale will be made until a EIS is completed.
- **Congressman Hansen's Personnel Request:** Congressman Hansen has requested a detailed explanation regarding personnel issues, particularly focusing on the Office of Secretary Babbitt and on detailees from the National Park Service and Bureau of Land Management agencies to the Secretary's office, Capitol Hill and other offices. On July 17, Woody Hooper, Acting Deputy Assistant Secretary for Human Resources, sent a letter responding to the congressman's request. Supplemental information is being developed and will soon be forwarded to the Hill. A hearing is expected on this issue before adjournment, and probably will focus on staffing in Secretary Babbitt's office.
- **NJ Travel:** On August 3, Secretary Babbitt will travel to Long Branch, NJ, to do an event for Congressman Pallone. On August 5, Secretary Babbitt then travels to MA and returns to participate in an event on the NJ shore with Congressman Torricelli.
- **Secretary's Schedule:** On August 5, Secretary Babbitt will join Senator Kerry in Sudbury, MA, to officially transfer a tract of army land, the Sudbury Annex, to the U.S. Fish and Wildlife Service. On August 8, Secretary Babbitt will be in Birmingham, AL, to address the Bass Angler Sportsmen Society.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Mexican Spotted Owl:** On July 15 and July 23, the AZ federal district court ruled to continue the injunction against national forest timber harvest in AZ and NM, in an effort to protect the Mexican spotted owl. The court has requested an additional briefing on whether consultation under the Endangered Species Act is complete.
- **Clavey River:** On July 25, the Forest Service announced that it would recommend the Clavey River on the Stanislaus National Forest in CA as suitable for Wild and Scenic River designation. The Clavey River is one of the last free-flowing rivers in CA, and the Wild and Scenic designation has been strongly supported by environmental groups. In 1995, the Federal Energy Regulatory Commission recommended against licensing a controversial hydroelectric project on the Clavey River.
- ✓ **Poultry Exports:** U.S. exports of fresh and frozen chicken and turkey reached a record \$490 million and 946,000 tons in the first 5 months of 1996. U.S. poultry meat exports for 1996 are projected to reach \$2.26 billion, for an 11 percent rise over 1995's record \$2.03 billion. Russia continues to be the number one U.S. market.
- **U.S. Almond Exports:** The value of shelled and prepared or preserved almond exports for the period October -May have reached \$545 million, 14 percent above a year ago and thus on track to exceed last year's record export of \$770 million. Virtually all from CA, almonds are the largest single horticultural product exported; two-thirds of CA's production goes into export.
- **U.S. Pasta Industry:** The U.S. International Trade Commission (USITC) completed final determinations on the review of possible injury to the U.S. pasta industry by certain pasta imports. The findings affirm that the industry was materially injured by subsidized imports of Italian and Turkish pasta sold at less than fair market value. The USITC will instruct the U.S. Customs Service to require cash deposits for countervailing or antidumping duties on pasta imports from these countries. The actual rates for countervailing and antidumping duties will also be increased significantly.

- **Controversial Salvage Sale Decision:** As part of a settlement involving eight Forest Service timber sales held by Thomas Creek Lumber and Log Company, the parties have agreed to cancel the Warner Creek Salvage sale in the Willamette National Forest in OR. The Warner sale has been the site of extensive protests and an unlawful encampment by protestors. Upon formal approval of the settlement by the DOJ and public announcement of the cancellation, further action may be necessary to remove the protestors who have established semi-permanent living quarters.
- **China Wheat Contracts:** China's cancellation of almost one million tons of U.S. wheat for delivery in the 1996/97 marketing year has helped send U.S. wheat prices to their lowest levels in a year. China has cancelled 60 percent of its new-crop purchases from the U.S., partially due to *Tilletia Contraversa* Kuhn, a fungal disease that attacks wheat quality, the changing market, and prospects of a large Chinese crop. Exports from the U.S. to China for the marketing year now total 414,500 tons, with outstanding sales of 507,500 ton
- **Secretary's Schedule:** On August 16, Secretary Glickman will visit the Mississippi Mid-Delta Empowerment Zone with Representative Thompson.
- **Media Activities:** The NBC television show, *Unsolved Mysteries*, plans to tape a segment based on bombings at both a Nevada Forest Service office and the home of a Nevada Forest Service official. On July 26, the *New York Times* contacted Economic Research Service for background information on the poultry industry.

DEPARTMENT OF ENERGY

- **Elk Hills:** On August 2, DOE officials met with the CA State Land Commission, the CA Attorney General's Office, and the CA State Teachers Association to begin negotiations of a settlement on the teachers' claim to a percentage of the sale of the Elk Hills Naval Petroleum Reserve. DOE expects to sell the field within the next 18 months for an approximate value of \$2 billion. A portion of this land had been held in trust by the CA teachers' union, and many teachers' retirements depended on this land sale. DOE has received hundreds of letters from these teachers, thanking DOE for ensuring that they will receive their retirement.
- **Western Power Study:** On August 2, DOE will provide you with an analysis of the recent western power outages. The report concludes that the outages were preventable and may have resulted from inadequate attention by industry entities to known concerns. DOE recommends the following improvements: (1) greater involvement with disturbance reporting and analysis; (2) formation of a DOE and stakeholder task force to conduct technical and policy research into reliability; and (3) examination of existing legal authorities in this area for potential strengthening.

- **Contract Reform:** On August 6, Secretary O'Leary will hold a press conference in Washington, D.C., to announce planned procurement activities in WA, OH, SC, and TN, valued at approximately \$19 billion over five years.
 - **CT's Power:** On July 22, Northeast Utilities was forced to shut down the last of CT's four nuclear reactors. As a result of the shutdown, Senators Dodd and Lieberman have requested that DOE send a high-level representative to CT, to examine the state's power situation and assist power and state officials in reviewing all options to ensure continued electric services to CT's customers.
 - **U.S. Nuclear Nonproliferation:** On July 29, a lawsuit was filed by SC to stop DOE from shipping foreign spent fuel to the Savannah River Site for storage. DOE will request an expedited hearing on SC's request for a preliminary injunction and a decision on the issue by mid-August. The shipments of spent nuclear fuel are to be transported through both SC and CA, and stored at DOE facilities in SC and ID.
 - **OH Energy Efficiency Award:** On August 9, Secretary O'Leary will be in Cleveland, OH, where she will award a \$10.5 million contract to Reliance Electric to build superconducting, super-efficient industrial motors that will save energy and cut costs.
- ✓
- **Weapons Technology Creates Jobs in SC:** On July 26, at a ceremony in Barnwell, SC, DOE was recognized for bringing EFCO, a MO based window manufacturer, to Barnwell, SC to build a \$17 million plant that will employ 1,000 people. This is a partnership between the SC Department of Commerce, the city of Barnwell, SCANA, the local public utility company, and DOE. DOE spearheaded the effort by providing metal presses formerly used to make nuclear weapons and by identifying companies that could locate in the area.
 - **Privatization of OK Petroleum Laboratory:** On August 1, Secretary O'Leary announced that DOE reached an agreement to privatize the government's principal oil research laboratory in Bartlesville, OK. The action will save taxpayers \$25 million over the next five years. This is the first privatization action under DOE's Strategic Alignment Initiative, a government reform and cost savings plan.

- **Privatization of MT Environmental Facility:** Originally built for research and development of advanced electric power generating technology, a Butte Environmental Facility was converted to an environmental technology laboratory and will be sold to the Butte Community Development Organization. DOE will award a 5-year research program to a Butte firm to continue this important environmental work. This plan will accomplish key DOE objectives, including immediate fair-market-value sale of a facility no longer needed by the federal government, a five-year \$5.5 million cost savings to taxpayers, the minimization of adverse impacts on the local workforce, and continuity of existing government research and development programs at the facility.

DEPARTMENT OF EDUCATION

- **Hispanic Education Report:** In mid-August, the White House Initiative on Educational Excellence for Hispanic Americans will submit to you its Annual Report. The Report will include information on educational attainment for Hispanic Americans and obstacles to their success, as well as recommendations for ways to improve the educational environment for Hispanic Americans.
- **Dropout Rates Report:** On August 2, Secretary Riley will announce a National Center for Education Statistics study showing a steady decline in dropout rates over the past 20 years.
- **Madeleine Kunin Departs:** On August 7, Deputy Secretary Kunin will leave the Department to take up her new appointment as Ambassador to Switzerland. The functions of the Deputy Secretary will be carried on by Under Secretary Mike Smith and General Counsel Judy Winston.
- **Secretary's Travel:** On August 7, Secretary Riley will address the Disabled People's International in D.C., a coalition of organizations representing individuals with disabilities worldwide. On August 9-10, Secretary Riley will travel to NM to join Senator Bingaman in several events. On August 13, Secretary Riley will address the Southern Legislators Conference in Nashville, TN.

ENVIRONMENTAL PROTECTION AGENCY

- **Safe Drinking Water:** On August 1, Congress passed the Safe Drinking Water legislation, which will release \$725 million appropriated for the Clean Water Act State Revolving Fund. The legislation would provide money directly to communities to upgrade drinking water systems and help water systems comply with public health and safety standards.

- **Secretary's Travel:** On August 1-2, Administrator Browner will participate in a meeting of the Council of the North American Commission on Environmental Cooperation (CEC) in Toronto, Canada, along with Minister Carbias of Mexico and Minister Marchi of Canada. On August 9, Administrator Browner will travel to San Francisco, CA to address the City Club. On August 18, Administrator Browner will travel to Cleveland, OH, to attend an event.

OFFICE OF PERSONNEL MANAGEMENT

- **Hatch Act Regulations:** On August 5, final implementing regulations of the Hatch Act amendments go into effect. The regulations represent OPM's final rules, setting out the partisan political activities permitted and prohibited to all federal employees. Employees have been guided by interim regulations since September 1994. The final rules set forth the bright-line test that ensures most employees cannot participate in partisan political activities while on duty or on federal premises. National union representatives have expressed some initial concern that union offices and time spent by union officials on union business could not be used for partisan political activities.
- **Butler Bomb Threat:** A caller to a Butler County, PA, radio station threatened to "blow up the mine." While there are many mines in the area, one, in Boyers, PA, houses OPM's Federal Information Processing Center, where federal personnel background investigations data and retirement and insurance information is stored. A state police search of the mine turned up negative. National Underground Services, the mine landlord, has taken additional security precautions.
- **Veterans' Employment Opportunity Act:** On July 30, the House approved the Veterans' Employment Opportunity Act of 1996. The bill gives veterans the right to apply for vacancies currently limited to active career employees, provides additional protection for veterans during reductions in force, creates a new redress system for veterans, and extends veterans' preference to certain positions in the White House, Legislative Branch, and the Judicial Branch.

GENERAL SERVICES ADMINISTRATION

- **Media Inquiries:** *The Washington Post* has requested information on \$150,000 of "reported stolen or missing items" from the 1993 Presidential Inaugural Committee, and Craig Livingstone's role in PIC security. Media Relations is working with GSA's Federal Protective Service and the Office of General Counsel to get details on the first part of the inquiry. GSA has also received a letter from Senator Shelby requesting similar information.

DEPARTMENT OF STATE

- **Anti-Terrorism Ministerial:** Peter Tarnoff accompanied Attorney General Reno to the July 30, P-8 Ministerial in Paris. The Eight endorsed 25 measures designed to enhance cooperation in fighting terrorism and transnational crime. The proposals include U.S. initiatives to increase security for air and ground transportation and to promote a new treaty on terrorist bombing. The Eight also agreed to tighten border and document controls.
- **Indonesia Political Unrest:** On July 27, two days after the conclusion of the ASEAN Ministerial attended by Secretary Christopher in Jakarta, Indonesian police attacked and seized the headquarters of the opposition Indonesian Democratic Party (PDI). PDI supporters retaliated by rioting and burning a number of business establishments with ties to President Soeharto's family. The recent unrest may prove to be the opening skirmish in a long-term struggle over succession to Soeharto.
- **Burundi:** On July 31, Special Envoy Wolpe joined representatives from Burundi's neighbors at a special summit in Arusha, Tanzania, to discuss possible economic sanctions against the Buyoya regime, which seized power in Burundi last week. In a surprising show of unanimity, summit attendees endorsed extensive regional sanctions (blocking airline flights, Burundian coffee and tea exports and oil imports to Burundi) in an effort to pressure Buyoya to give Hutus an increased political voice, to negotiate with the rebels and to grant safe passage to Ntibantunganya and other detained Hutu officials. While the situation remains uncertain, all Americans in Burundi are safe and their whereabouts known. Ambassador Hughes has sheltered President Ntibantunganya in his residence for a week. Hughes is trying to negotiate safe passage out of the country for Ntibantunganya and Hutu officials sheltered in other foreign embassies in Bujumbura.

DEPARTMENT OF DEFENSE

- **Saudi Arabia:** Secretary Perry is returning from two days of meetings in Saudi Arabia and Kuwait where he met and reviewed U.S. force protection initiatives with Saudi MOD Prince Sultan, U.S. Commanders, and the Amir of Kuwait. The Saudis have agreed to move air operations now being performed in Riyadh and Dhahran to the isolated desert air base at Al Kharj. DoD anticipates that this action will take about six weeks to complete. DoD's airmen will be housed temporally in tents and then in modular facilities provided by the Saudis. The Patriot batteries in Riyadh will remain in place with U.S. crews living in a new compound with enhanced security. U.S. crews assigned to the Dhahran batteries will be moved onto the air base located there.

- **Travel to FL:** On August 6, Secretary Perry will travel to Orlando, FL, to address a meeting of the American Bar Association. He will speak on terrorism and anti-terrorism security measures.
- **Press Inquiry:** David Hackworth of *Newsweek* talked to troops at McChord AFB, WA, for several days regarding accountability issues.

UNITED NATIONS

- **Cuba:** On July 26, the Security Council adopted a U.S.-sponsored resolution on the February 24 shoot-down of two civilian aircraft that characterizes the shoot-down as unlawful and condemns the use of weapons against civil aircraft in flight.
- **Burundi:** On July 29, following the coup in Burundi, the Security Council adopted another Presidential Statement, expressing regret that civilian and military leaders failed to resolve their difference through established constitutional mechanisms and condemning the actions that led to the overthrow of constitutional order. The statement stressed that the present situation was one that required utmost restraint and called upon all concerned to refrain from any actions which could provoke further escalation of the crisis.

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

8-6-96

*Good
So much
from
Jeff
out*

• **Indian Health Facilities:** As early as next week, HHS and DoD will be transferring more than \$4 million in medical equipment from DoD to Indian health care facilities across the nation. The operation, known as project "TRANSAM," is part of the DoD's Civil-Military Cooperative Action Program, that enhances military readiness for the reserves while addressing important domestic needs. The transfers are possible because of DoD downsizing efforts and the availability of medical materials resulting from base closures.

✓ **CA Welfare Waiver:** Next week, Secretary Shalala may announce the approval of "Maximum Family Grant", a statewide amendment to CA's "Work Pays Demonstration Project." This will be the sixth waiver approved for CA, and the 70th approved under your Administration.

• **Spinal Cord Research:** On July 26, in the issue of *Science*, the Karolinska Institute reported that under the proper conditions, nerve cells can show limited growth across a severed rat spinal cord to produce movement in paralyzed limbs. Although the animals did not recover normal movement, the experiments indicated that growth of fibers across the site of injury is possible, encouraging further work.

✓ **MT's Mental Health Waiver:** HHS will be approving MT's proposal for the MT Mental Health Access Plan. Under the plan, MT will provide a statewide mental health program for all residents eligible for public health services.

✓ **CA Head Start Suspension:** A recently completed audit of the East Bay Perinatal Council, a Head Start program in Oakland, CA, has uncovered serious problems in the administration of Head Start funds. After carefully reviewing the findings, HHS intends to suspend funding to the program within the next few days. HHS is working to ensure that services continue to the families served by this program.

• **Secretary's Schedule:** On August 6, Secretary Shalala will be in Minneapolis, MN, to appear at a series of events with Senator Wellstone. On August 7, she will be in MI, to appear at series of events with Congresswoman Rivers. On August 8, Secretary Shalala will be in Detroit, MI, to attend several events with Congressman Levin.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Good

• **Homeownership:** On August 7, Secretary Cisneros will visit D.C.'s Columbia Heights neighborhood to unveil a national plan to help 25,000 families living in public housing become homeowners by the year 2000. This will mean a dramatic acceleration of an effort which has already created almost 4,000 homeownership opportunities for public housing families.

8-6-96
TO DORSKIND
FOR REPLY

July 31, 1996

MEMORANDUM

TO: The President
FROM: Nancy Hernreich
Mildred C. Alston
RE: Recent Correspondence

Glyde V. Prestowitz, Jr. sends copy of op-ed by Lawrence Chimerine from *Washington Post*. At Economic Strategy Institute they have been vigilant in the efforts on domestic economy to ensure the nation does not go back to the feckless budget policies of the 80's. They do not want to repeat the supply-siders' mistake.

*Through
Hof*

*CC: Lawrence
Do TH to Clyde*

Muller
for

Economic | STRATEGY | Institute

Clyde V. Prestowitz, Jr.
President

July 23, 1996

The Honorable William Jefferson Clinton
President of the United States of America
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

I thought you would find the attached op-ed from today's *Washington Post* of interest.

We at ESI have been vigilant in our efforts on the domestic economy to ensure that the nation does not go back to the feckless budget policies of the 1980's. Like you, we do not want to repeat the supply-siders' mistake.

Please let me know if I can be of assistance in any way.

Best regards.

Sincerely yours,

Clyde

Clyde V. Prestowitz, Jr.

cc: Mr. Leon Panetta, Chief of Staff to the President

The Washington Post

TUESDAY, JULY 23, 1996

Lawrence Chimerine

Return of the Supply-Siders

Like the proverbial bad penny that always comes up, supply-siders are back again, this time proposing a large across-the-board income tax cut. If you want a demonstration of how well it will work, they say, just look at the experience of the 1980s.

Don't believe it. Such tax cuts would undermine current efforts to balance the budget in the intermediate term and would make the large, entitlements-driven deficits in the next century even bigger. Furthermore, most of the benefits would go to upper-income families that have already prospered in recent years, rather than to the lower-income groups that have been squeezed. Most important, an accurate reading of the evidence reveals that the 1980s tax cuts failed to deliver the benefits promised by the supply-siders. In fact, they proved to be counterproductive in many ways. Perhaps the supply-siders' most notable prediction in the early 1980s was that the drop in marginal tax rates, plus the enactment of individual retirement accounts and other incentives, would lead to a savings and investment explosion. Exactly the opposite happened: The personal savings rate dropped to a postwar record low, and the overall national saving rate dropped even more sharply because of the huge deficits caused in part by the tax cuts. The rate of investment as a share of gross domestic product also dropped during the 1980s, contrary to supply-siders' promise. This was especially distressing because the investment rate was already lagging far behind most of our foreign competitors.

Not surprisingly, with savings and investment on the decline, productivity growth was extremely weak in the 1980s. Admittedly, this had begun during the 1970s, but one enticement for the supply-side tax cuts was that they would revitalize productivity. Simply, they did not. Furthermore, U.S. national competitiveness plummeted to its lowest point since World War II. In part, this reflected the overly strong dollar produced by supply-side policies—the combination of loose fiscal policy and tight monetary policy—but it also reflected low investment and weak productivity growth. The result was record-high, triple-digit trade deficits on a

Supply-siders tried to put a positive spin on the bad news—claiming stronger import demand and increased foreign investment were signs of strength—but it is clear that the huge trade imbalance sapped economic growth and contributed to the stagnation in living standards.

Even the much ballyhooed increase in new jobs during the 1980s was dramatically overstated. First, the rate of job growth was little improved from the 1970s. Second, most of those new jobs yielded low pay and little benefits. Finally, the job growth of the 1980s was not the result of increased work effort caused by lower marginal tax rates; the new jobs were largely second jobs, or new working spouses, because more families were forced to generate second incomes in order to maintain living standards.

Perhaps the most significant misrepresentation by the supporters of Reaganomics is that the early-1980s tax cuts substantially increased economic growth. True, the economy grew for seven straight years during the mid-1980s, but because the rate of the growth lagged behind previous expansions, and because that period was preceded and followed by recession, the 1980s ended as the slowest growth decade since World War II.

Furthermore, as indicated earlier, the growth we experienced during the mid-'80s was fueled not by any improvement in long-term fundamentals but, rather, by short-term demand stimulus resulting from the tax cuts and military spending increases, by reversal of the oil price increases of the 1970s and by an unprecedented leveraging of the economy. When these temporary stimulants disappeared, the economy entered into a long period of stagnation.

Supply-siders also predicted their tax cuts would pay for themselves. This was nonsense from day one, because the credible evidence overwhelmingly indicates that revenue feedback from tax cuts is 35 cents per dollar, at most. The result, of course, was budget deficits soaring off the charts, instead of the promised budget surpluses. Supply-siders claim that, because tax revenues as a share of GDP remained constant during the 1980s, the deficits were caused by the absence of significant spending cuts and not by the tax cuts.

They neglect to mention the huge Social Security tax increases enacted early in the decade to ensure future trust-fund solvency—income tax revenues as a share of GDP were considerably lower at the end of the decade than in 1980, exactly as conventional economists had predicted when the tax cuts were enacted. Further, increased spending in the 1980s largely reflected the huge increases in interest expense to service the exploding national debt.

The bottom line is that the supply-side tax cuts of the 1980s were a national disaster. They have proven to be harmful for the economy and have put a huge and unconscionable burden on future generations. There is no reason to believe that a new round of large income-tax cuts would be any better for the economy now. At most, they would provide a small boost to the economy in the very short term, but the larger deficits and higher interest rates they would cause would actually reduce long-term economic growth. A better approach would be a combination of tax reform and targeted tax cuts that really stimulate job creating long-term investment.

Today we continue to dig ourselves out of the mess created by the excessive tax cuts of the 1980s. It seems unimaginable that tax-cut advocates would expect us to repeat history and fall once more for promises of something for nothing. Are we really gullible enough to accept a free dinner while still suffering the indigestion caused by our "free" lunch?

The writer is managing director and chief economist at the Economic Strategy Institute in Washington.

Economic | STRATEGY | Institute

Clyde V. Prestowitz, Jr.
President

July 23, 1996

Ms. Nancy Hernreich
Deputy Assistant to the President
Director of Oval Office Operations
1st Floor, West Wing
The White House
Washington, D.C. 20500

Dear Ms. Hernreich:

I would greatly appreciate your assistance in delivering the enclosed letter to President Clinton.

Thank you very much.

Sincerely,



Clyde V. Prestowitz, Jr.



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

THE PRESIDENT HAS SEEN
8-6-96

August 2, 1996

16 AUG 2 P 9:10

MEMORANDUM FOR THE PRESIDENT

FROM: KATHLEEN A. MCGINTY *K. McGinty*

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

ENDANGERED SPECIES ACT (ESA) LISTINGS

This week the National Marine Fisheries Service (NMFS) proposed federal protection of the steelhead trout along the West Coast and cutthroat trout runs in Oregon. Despite the great geographical magnitude of the listing area the press coverage was uniformly positive and most articles underscored our track record of partnership on ESA issues. It is expected this listing will be handled in similar fashion. We received editorial support in Oregon and Idaho (see attached).

TUNA-DOLPHIN LEGISLATION

The House considered H.R. 2823, the International Dolphin Conservation Act, on Wednesday night -- right after the debate on the welfare conference report. I am pleased to report that the House approved this legislation in a vote of 316-108. Despite opposition by the ranking Resources Committee member and the Democratic leadership, 100 Democrats voted with the Administration on final passage. Action now moves to the Senate where Senator Barbara Boxer (D-CA) is threatening a filibuster.

NUCLEAR WASTE DISPOSAL

The Senate this week voted on final passage of S. 1936, a nuclear waste disposal bill, introduced by Senator Frank Murkowski (R-AK), that would site interim storage of high level radioactive waste near Yucca Mountain, Nevada before completion of the scientific assessment of the site as a possible permanent waste repository, and by waiving many environmental requirements currently applicable to such sites. Despite its flaws, the bill had a lot of momentum due to the aggressive support of the nuclear power industry and the desire of western Senators to have this issue resolved without involving their states. You stated your intention to veto the bill as currently written because of its inconsistency with good science and environmental protection.

What may look like a loss is actually a win on this one. In what is widely viewed as a victory for the Administration, the environmental community and the Nevada delegation, the

Senate passed the bill, but without a veto-proof majority. What likely would have been rapid House action on the bill is now in doubt, and it is no longer clear that the bill will come to your desk before the end of the session. The vote was 63-37, three votes more than necessary to uphold a veto and a pickup of three votes since the last cloture vote on the measure. The Administration worked hard and visibly on this vote, sending up a second veto threat and opposition letters from Secretary O'Leary, Administrator Browner and me on the day of the vote. The Vice President also called several swing Senators. The environmental community is giving the Administration much credit for this vote. One of their press releases noted that while a majority of Senators were looking out for the special interests of the nuclear power industry, "President Clinton is looking out for the national interest on this issue."

GRAND CANYON OVERFLIGHTS

Carrying out your Earth Day directive, the Department of Transportation issued its proposed rule limiting overflights of Grand Canyon National Park this week. The rule set out several options for substantially restoring natural quiet to the park, and the agency will accept public comment and issue a final rule by the end of the year. This has been a difficult, contentious issue that has been in the works for almost ten years and that your directive is bringing to closure. Secretary Federico Pena and Secretary Bruce Babbitt deserve credit for their personal involvement to help resolve these issues reasonably. The air tour industry and the environmental community are very polarized on this, and neither is completely satisfied with the proposal. However, more objective observers like The Arizona Republic, typically a critic on this issue, ran a very favorable editorial, calling the proposals "strong, unambiguous and sensible" and "a major step forward."

SAFE DRINKING WATER ACT

The House and Senate both overwhelmingly passed the conference report reauthorizing the Safe Drinking Water Act today. The passage of this legislation represents a major success on the part of the Administration in building bipartisan support for common sense reforms that reduce costs while protecting the environment.

Unfortunately, because Congress failed to pass the conference report by an August 1 deadline, \$725 million that had been previously appropriated for fiscal year 1996 for loans under this program was lost and reverted to the Clean Water Act loan program. As a result, the loss of funds anticipated in fiscal year 1996 for drinking water will have to be made up by an adjustment in the division of the funds provided for this program and the Clean Water Act in the fiscal year 1997 appropriations agreement. Until then, we should continue to make it clear that Congress should not get full credit for passage of this program unless they also provide sufficient money to pay for it.

KISATCHIE NATIONAL FOREST

Last week I reported to you that Senator J. Bennett Johnston (D-LA) had an amendment to the Defense Authorization bill that would transfer lands from the U.S. Forest Service to the

Army at Fort Polk, Louisiana. This was a dicey situation because the Army had already written a letter to Senator Johnston saying they supported the amendment. In this one week, however, we have been able to turn this around and make a good story out of it.

Working with Acting OMB Director Jack Lew, we sent a letter to Senator Johnston telling him that we opposed the amendment, but we were prepared to facilitate an agreement between the Army and the Department of Agriculture (USDA) to allow Army use of the Kisatchie National Forest. Our stipulation, however, was that but an agreement would require the Army to comply with all environmental laws. I am happy to report that our letter to conferees made the difference in the defeat of the amendment and that in the last week, CEQ and OMB successfully worked with the Army and USDA and in getting a Memorandum of Agreement signed by both Secretaries. The agreement was delivered to the conferees on Thursday. Senator Johnston has been quoted in the press that he is not happy about the defeat of the amendment, but he has taken no further action. The amendment was widely criticized in the Louisiana press, so I believe our action will be very favorably received.

NEW WORLD MINE

Gran
Our negotiators have been meeting all week with the mining company to hammer out the fine details of an agreement. There are still sticking points on the environmental clean-up of the site, but we have made substantial progress. The negotiators are meeting again Saturday and will be making another presentation to the company on Monday. They expect to have an agreement by Wednesday. While there is still work to be done, I am still anticipating that you will be able to make an announcement on an agreement on August 12. (Chances: 90/10 in favor).

HEADWATERS

File
Charles Hurwitz' personal unpopularity is significantly adding to the difficulty of doing a deal with him. An editorial in Business Week is critical of our even considering dealing with him. Moreover, environmentalists and Member of Congress are raising the bar on what they will consider a successful deal. Meanwhile, Mr. Hurwitz put a deal on the table this week that is an absolute non-starter. I'm beginning to fear we have a "tar baby" here. We will keep plugging away at this. But, as to chances, I was at 70/30 last week. This week 90/10 against successful conclusion of a deal.

WESTERN ECONOMY

✓ On July 19th, the Denver Rocky Mountain News reported that "urban refugees" are bringing jobs to rural areas. Traditional Western economies based on logging, mining, grazing and water development are declining relative to the resettlement that is now keeping towns thriving. Many settlers in rural Western towns often hold jobs in medicine, law, business, technology, and teaching rather than minimum wage positions as clerks and restaurant servers. I have attached a summary for your review.

THURSDAY, AUGUST 1, 1996

Saving the steelhead

Proposed listing under the endangered species act offers new challenge for fisheries managers

Oregonians should see the federal government's action this week toward protecting two more fish species as a challenge not a threat. If we've learned anything from a decade of intense experience with the Endangered Species Act, it's that the sooner people with different interests focus on protecting a species, the less traumatic the result is likely to be.

The National Marine Fisheries Service announced Tuesday that it was listing the Umpqua River cutthroat trout as an endangered species. And in an action with potentially much broader implications, the agency also said it was proposing to add West Coast steelhead to the list of threatened and endangered species.

The cutthroat listing triggers a set of federal requirements for the fish's protection, but state-federal-private cooperative efforts already are being worked out for its protection. The fisheries service says that President Clinton's forest plan will provide a framework for cutthroat recovery planning.

The steelhead proposal — covering runs along the Oregon and California coasts and up the Columbia and Snake rivers to Idaho — initiates a one-year comment and review period before a final decision is made.

While the proposed listing of steelhead is no surprise, it is, in a way, a disappointment. Clearly the feds have reached at least an initial conclusion that current and planned efforts to protect wild salmon species, including steelhead, are insufficient to assure steelhead survival.

That conclusion is a bit puzzling, since the Marine Fisheries Service has been involved, in Oregon at least, in formulating those strategies. Gov. John Kitzhaber has launched an effort to restore coastal coho runs, also proposed for listing under the endangered species act, and steelhead should benefit from that work, as well. Additionally, watershed planning efforts include fish habitat protection and improvement as a major goal.

On the other hand, critics of Oregon's effort still contend that the state has not adequately responded to the drastic decline in fish runs. For instance, they argue the Oregon Department of Fish and Wildlife has not adjusted its hatchery practices sufficiently to prevent interference with wild salmon and steelhead runs. State officials say many changes in hatchery operation have been made, but federal officials suspect more are needed.

This hatchery debate needs to be resolved once and for all. If contending experts can't agree now, the proposed listing ought to provoke the Oregon Department of Fish and Wildlife to undertake a thorough review, with heavy involvement by outside experts with no stake in the result, of its hatchery program.

That kind of review, coming to a definitive, supportable conclusion, is the kind of action that can settle disagreements rather than perpetuate them. And that data-based approach is the way to restoring fish runs rather than wasting time endlessly arguing about what to do.

July 31, 1996

Steelhead need help to survive

The federal government sounded a warning bell that Idahoans would be wise to heed: Without drastic changes, steelhead soon will go the way of salmon.

For Idaho, that requires a relentless push for a regional strategy that fixes the dams harming salmon and steelhead as they migrate to the Pacific Ocean.

On Tuesday, the National Marine Fisheries Service proposed that steelhead in the Snake River Basin be named a threatened species. That means the fish aren't yet endangered, but they could be in the foreseeable future.

Because it is only a proposal, no federal regulations will be put into effect right away. That gives Idaho and other Northwest states a little time to devise a solution focused on making large federal dams on the Lower Snake River friendly to Idaho fish.

With any luck, such a solution can avert a formal listing. As Idahoans know from their experience with salmon, that's always a good

idea. Nobody likes the federal red tape and enormous cost of trying to rescue a species from extinction.

It makes more sense to avoid the listing in the first place by making streams hospitable to the fish that evolved there over thousands of years.

But saving steelhead is about more than avoiding a federal headache.

The fish are also the bread and butter of many rural communities from Riggins to Orofino. Each year anglers drop more than \$90 million in motels, restaurants and tackle shops in their quest for one of these prized game fish. If salmon were restored to fishable levels, that number could be multiplied many times. It would be downright foolish to deny small towns a viable means of generating badly needed jobs.

Like salmon, steelhead are sending signals that they cannot survive the hurdles man has placed in their way. Idaho cannot afford to ignore the message.

Greenwire

July 30, 1996

*11 WESTERN ECONOMY: URBAN REFUGEES BRING JOBS TO RURAL AREAS

The West's economic future rests with urban refugees who are giving up high-paying jobs in cities for natural surroundings and "rural amenities," according to a U. of Montana economist. Traditional Western economies based on logging, mining, grazing and water development are disappearing, but resettlement has kept towns thriving, Thomas Power writes in his new book, "Lost Landscapes and Failed Economies."

For example, in 1993, mining accounted for only 1% of the jobs in Montrose County in western CO, compared to 17% in 1979. Yet the area's real income increased by 150% during the period.

New settlers in dozens of rural Western towns often hold jobs in medicine, law, business, technology and teaching rather than minimum wage positions as clerks and restaurant servers. This high-quality labor supply has fostered new businesses and "real economic growth" in rural areas, according to Powers.

Powers says that industries that depend on natural resources blame enviro laws for destroying rural economies, but automation in logging and mining caused layoffs before the onset of tougher enviro regs (Deborah Frazier, Denver ROCKY MOUNTAIN NEWS, 7/19).

THE PRESIDENT HAS SEEN
8-6-96

^{-96 Aug 2}
WEEKLY ECONOMIC BRIEFING: 25
OF THE PRESIDENT OF THE UNITED STATES

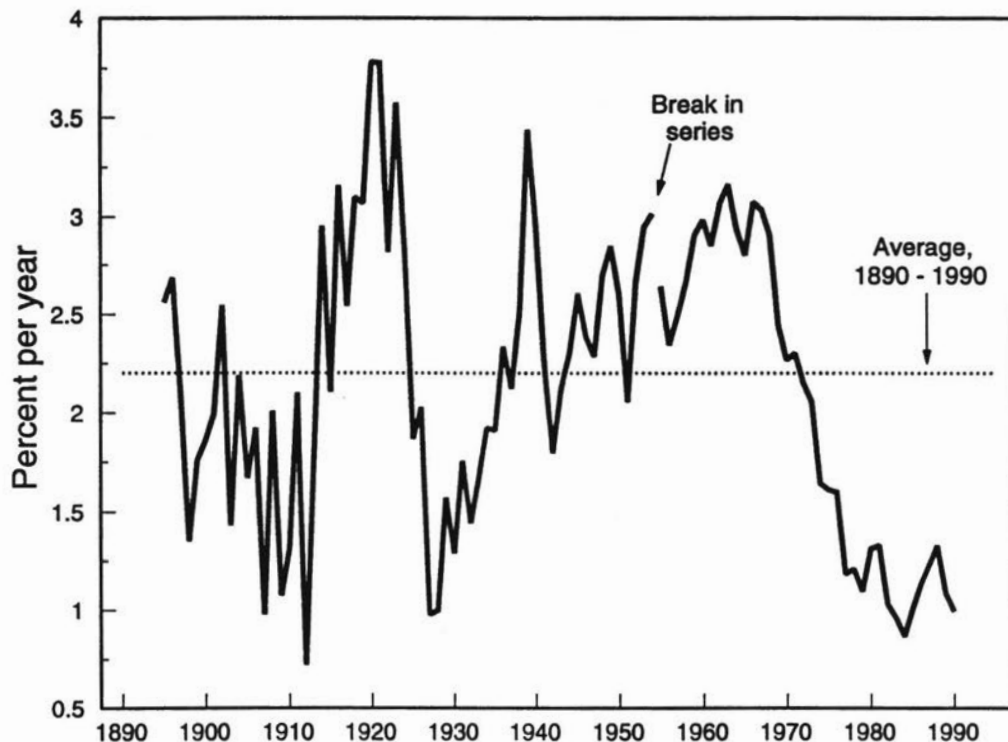
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

August 2, 1996

sent to Stiglitz

CHART OF THE WEEK

Growth in Output Per Hour over the Past Century



Ultimately, growth in the Nation's standard of living depends on strong productivity growth. After above-average performance in the 1950s and 1960s, productivity growth slowed dramatically in the early 1970s and remains well below the long-term historical average. (Because year-to-year changes are quite volatile, the chart shows a centered moving average, hence data for the period 1985-95 are centered on 1990.) The slowdown in productivity growth has not been confined to the United States and cannot be reversed quickly. But deficit reduction and sound public investment programs can make a difference.

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*"It's only fair that I warn you, Margaret. I'm
very subject to market fluctuations."*

CURRENT DEVELOPMENT

GDP Scorecard: Second Quarter 1996

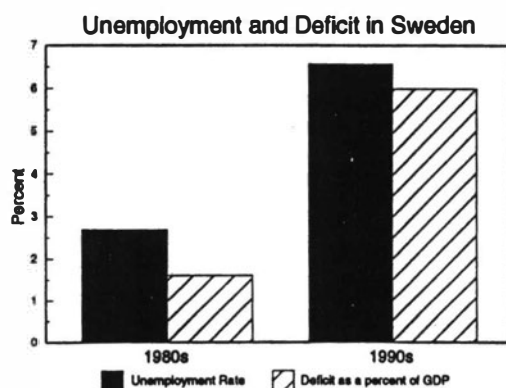
Real GDP rose at a 4.2 percent annual rate in the second quarter of 1996, somewhat faster than market expectations. All major components except nonresidential structures and net exports increased. The GDP price index rose at a 2.1 percent annual rate, about the same as over the previous four quarters. These estimates of growth and inflation are very good, especially given how little slack there is in the economy.

Component	Growth*	Comments
Total consumer expenditures	3.7%	Very strong growth in furniture and household equipment had been foreshadowed by robust reports on retail sales.
Producers' durable equipment	3.2%	Growth in equipment, especially computers, was extraordinarily strong in the first quarter. Second quarter investment edged up from this high level. Orders for investment goods point to a slowdown in the third quarter.
Nonresidential structures	-6.6%	June data were unavailable at the time of the release and a weak number was penciled in. We expect an upward revision in this category.
Housing	15.2%	Housing starts have been surprisingly strong, given the recent run up in mortgage rates. But sales trailed off towards the end of the second quarter.
Nonfarm inventories (change, billions of 1992 dollars)	\$15.5	Inventory investment, which had been slow in the first quarter, picked up in the second. Nevertheless, inventories remain quite lean in relation to sales.
Federal purchases	8.4%	An aberrant increase in Federal purchases, despite a policy-induced downward trend
State & local purchases	6.3%	The school year was extended in many places to make up for snow days last winter.
Exports	5.2%	Exports are expanding to record levels.
Imports	12.9%	Strong growth is stimulating imports. The U.S. economy is growing faster than most of its trading partners, resulting in a deterioration of net exports.
*Percent real growth in the second quarter at annual rates (except inventories). The advance estimate is subject to substantial revision.		

SPECIAL ANALYSIS

Does Sweden Have to Give Up on the Welfare State?

For years, Sweden was admired for its ability to promote social welfare and create wealth. For a long time its income distribution has been more equal than that of the United States. In 1970, Sweden's per capita income (calculated on a purchasing power parity basis) ranked fourth in the world.



Over the past two decades, however, Sweden has experienced relatively poor economic growth. By 1990 it had fallen to 8th place in the income rankings. And in 1991, Sweden was hit by its worst recession since the 1930s, driving up unemployment and the budget deficit (see chart). By 1995, Sweden had fallen to 16th place in the income per capita rankings.

Reasons offered to explain this deterioration in economic performance include:

- **Lack of competition.** Three-quarters of the economy is sheltered from foreign competition, which has deprived corporations in these sectors of the incentives to adopt global best practice and to innovate. By contrast, those Swedish industries with few regulatory barriers and intense competition, such as heavy trucks and buses and computer software, exhibit best practice performance.
- **Large public sector.** Mainly as a result of generous welfare-state arrangements, total public sector expenditures have fluctuated between 60 and 70 percent of GNP since the late 1970s. Of this, transfers have usually accounted for 35 to 40 percentage points, compared with 11 percentage points in the United States. High taxes and generous benefits create incentive problems and give rise to tax evasion, tax avoidance, and benefit cheating.

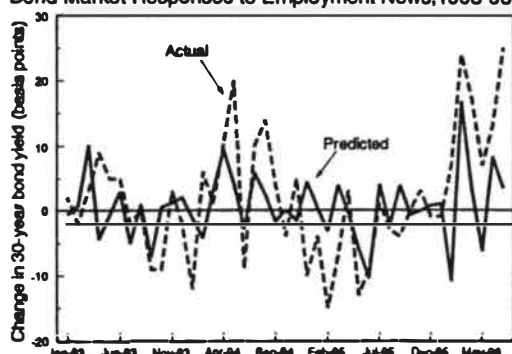
Policy responses. Sweden has tried to address some of its serious incentive problems with tax reforms in 1983 and 1991 and benefit reforms in the early 1990s. A program of fiscal retrenchment was launched in 1994 to reduce the deficit. Although Sweden began growing again in 1994, roughly 13 percent of workers remain unemployed or in government training programs. To beat unemployment, Sweden will probably have to continue liberalizing its product and labor markets.

SPECIAL ANALYSIS

The Bond Market and the Monthly Employment Report

Traders in the bond market watch the monthly employment release closely because it provides clues about inflationary pressures and Federal Reserve strategy. They respond primarily to the unexpected movement in the employment and earnings data, since the expected changes are already reflected in current bond prices and yields. An unexpectedly strong employment report raises the likelihood of higher interest rates in the future, explaining why traders react adversely to rapid job growth. While such a response is understandable, it is difficult to tell whether the size of the response is appropriate.

Bond Market Responses to Employment News, 1993-96



Analysis. A recent study quantified the bond market response, finding that each 100,000 increase in employment above expectations is associated with an increase in the 30-year bond yield of about 4 basis points. The chart illustrates how well such predictions have worked since the beginning of 1993. Last month, the bond market responded more strongly than usual to the employment numbers

for June (perhaps because of the unexpectedly rapid growth in wages). The bond market should not respond strongly to today's news of employment and earnings for July, since the numbers are roughly consistent with expectations. The study also found:

- The employment figures are subject to substantial and predictable revision. Between 1979 and 1995, the average absolute change between the initial release and the final benchmark was 88,900. In two-thirds of the cases where the initial report was above what markets expected, job growth was subsequently revised downward; in two-thirds of the cases where it was lower than expected it was subsequently revised upward. Since the employment data released today were what the market had anticipated, we would not expect them to be revised.
- Growth in the number of firms sampled (from about 68,000 in 1979 to about 239,000 now) has increased the reliability of the data in the initial employment report. Revisions—although still substantial—are smaller than they used to be. Although the bond market might have been expected to respond more to unexpected job movements as the reliability of the initial estimate improved, the data do not show any such rise in responsiveness.

Conclusion. The bond market responds to the employment figures because they contain news about the economy. But contrary to what casual observation may suggest, the bond market has not become any more sensitive to the jobs numbers.

SPECIAL ANALYSIS

No Supply-Side Miracle in an Across-the-Board Tax Cut

A 15 percent across-the-board tax cut would increase the budget deficit and hurt macroeconomic performance, according to simulations from two different econometric models.

Analysis. Evidence on saving and labor supply provides little support for supply-side assertions that people's economic behavior is highly responsive to tax cuts (see Weekly Economic Briefing, June 28, 1996, and July 12, 1996). This is confirmed in simulations using two leading econometric models that differ in their treatment of supply-side responses. The Washington University Macro Model (WUMM) has supply-side responses at the upper end of the plausible range, while the Data Resources, Inc. (DRI) model contains more modest responses.

A 15 percent across-the-board tax cut introduced at the beginning of 1997 has the following effects (relative to baseline) over the 1997-2005 simulation period:

- Roughly 1.2 million more jobs are created, on average, in the WUMM, and roughly 300,000 more in the DRI model.
- Output goes up in each model and interest rates rise (the Federal Reserve is assumed to react to the tax cut stimulus with monetary restraint).
- The budget deficit goes up substantially in each model (by about \$150 billion a year), reducing national saving and increasing foreign borrowing. Even with a strong supply-side response, increased growth offsets only about 15 percent of the revenue loss from the tax cut in the WUMM. DRI shows a negligible offset.
- Investment falls in the DRI model and rises modestly in the WUMM (because output grows enough to offset higher interest rates). In each case, however, reduced national saving means more investment is foreign-financed.

Macroeconomic performance improves some if the tax cut is fully offset by spending cuts. Simulations of such a tax cut produce some additional output growth, lower interest rates, and increased investment. Of course, the required spending cuts are huge (the equivalent of at least a 50 percent cut in domestic discretionary spending). If poorly chosen, they might well hurt investment and growth. And these models do not take into account the possible financial market response if the cuts are not seen as credible.

Conclusion. Simulations of large-scale econometric models confirm research findings that supply-side responses to tax cuts are too modest for the tax cuts to "pay for" themselves. A 15 percent across-the-board cut in marginal tax rates would add substantially to the deficit and hurt economic performance.

SPECIAL ANALYSIS

Unemployment and Inflation: The Lessons of 1988-90

So far this year, unemployment is low and inflation is tame. This is a substantial achievement, but experience from the late 1980s teaches that maintaining such conditions can be difficult.

Inflation and unemployment in 1988. In late 1987, the unemployment rate dropped below 6 percent, which at the time was generally thought to be the “natural”, or non-accelerating-inflation rate of unemployment (NAIRU). (Recent research suggests the NAIRU was indeed about 6 percent at the time but has fallen some since, see Weekly Economic Briefing, July 26, 1996). Although monetary policy turned somewhat restrictive in 1988, as evidenced by a 2 percentage point rise in the Federal funds rate, the jobless rate continued to edge lower, reaching 5½ percent in the fourth quarter of 1988.

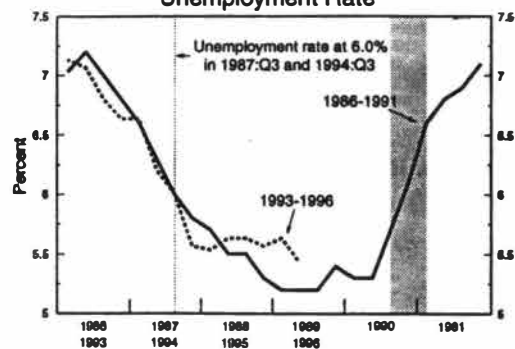
Rising consumer price inflation was barely perceptible in 1988. Wage inflation, by contrast, was signaling that the economy might be starting to overheat.

Fed tightening, an oil shock, and the 1990-91 recession. As rising inflation became more evident towards the end of 1988, the Federal Reserve responded aggressively, raising interest rates more than 2 percentage points. Monetary policy affects the economy with long lags, however, and it was not until the second half of 1990 that the unemployment rate began to edge up. By this time, the Fed had already begun to ease back on rates in hopes of achieving a “soft landing.” Instead, the Iraqi invasion of Kuwait in August 1990 appears to have unsettled markets by reminding people of the disruption to the economy from previous oil price shocks. The economy dipped into recession, with unemployment rising to more than 7½ percent by mid-1992.

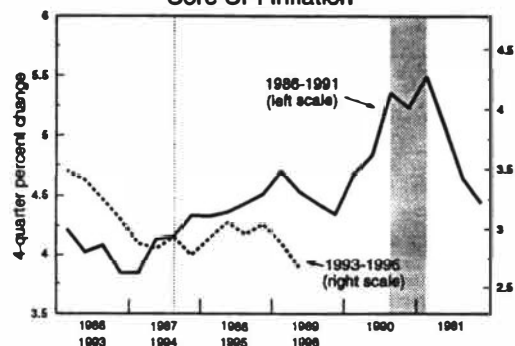
Some believe that if the Fed had acted sooner and more forcefully in 1987 and 1988, it would not have had to apply the brakes so hard in 1989. Sharp swings in interest rates in 1989 made the economy difficult to control, much like a fishtailing car when the steering wheel is turned too abruptly.

Lessons. As in 1988, the unemployment rate has dropped to where the economy runs some risk of rising inflation, although actual inflation remains stable (see charts on next page). Unlike 1988, however, trend growth in unit labor costs (growth in compensation less trend growth in productivity) is still below the rate of inflation. Despite the current good behavior of unit labor costs, some fear that increases in the Employment Cost Index (ECI) over the past two quarters presage future increases in inflation.

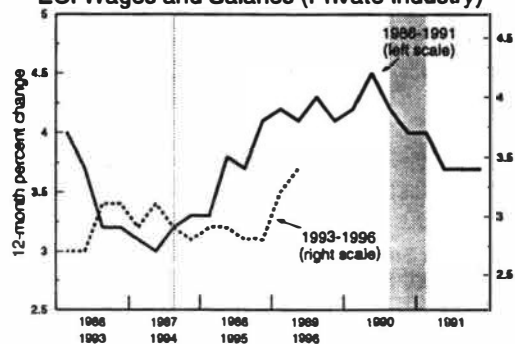
Unemployment Rate



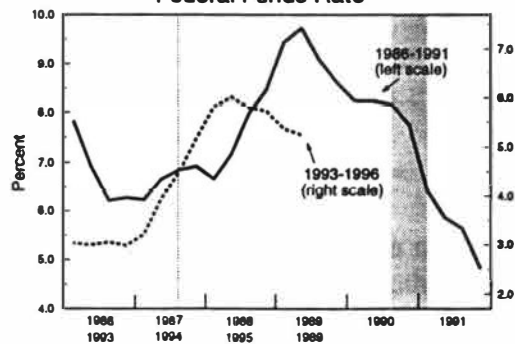
Core CPI Inflation



ECI Wages and Salaries (Private Industry)



Federal Funds Rate

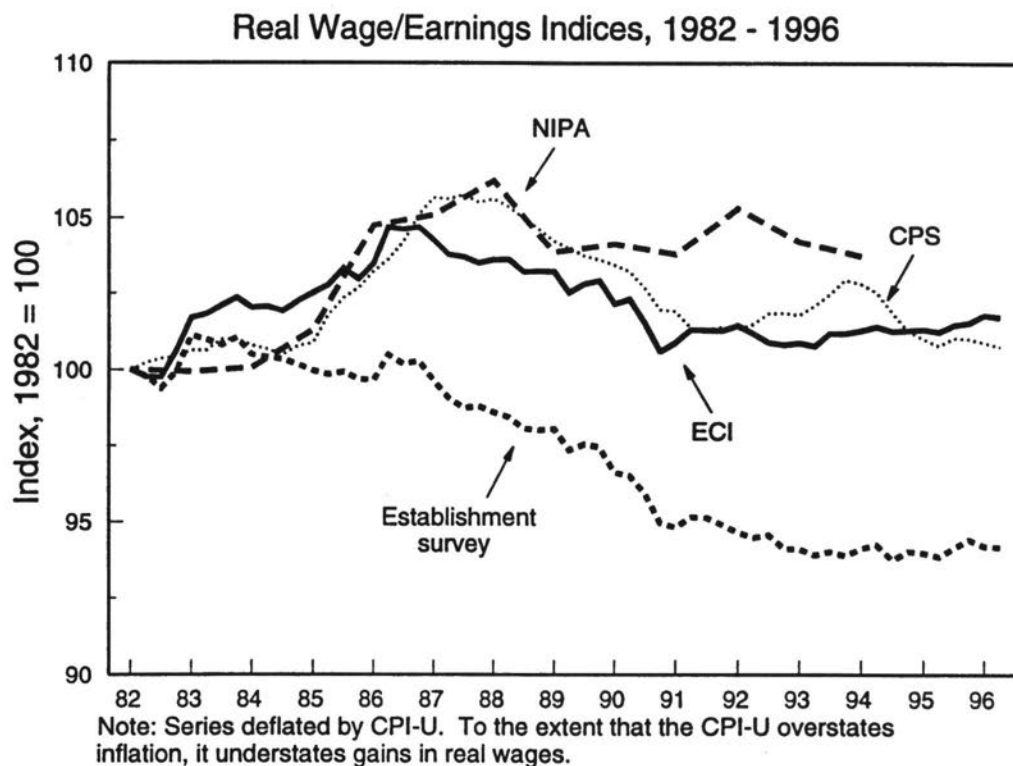


ARTICLE

Trends in Real Wages

A puzzling feature of the current recovery is that most indicators of earnings growth have been essentially flat despite the strong pace of job growth. Changes in the composition of the labor force over the business cycle may provide part of the answer.

Trends in alternative wage series. The chart shows trends in wages and earnings from four major sources (see table on next page).



The first three series have moved in a roughly similar pattern since 1982; only the last shows a different pattern. Adjusted for inflation, median weekly earnings of full-time workers have fluctuated in a narrow range since 1982. The ECI and NIPA average hourly wage have behaved similarly over the period even though they measure average rather than median wage changes, compute hourly wages rather than weekly earnings, and include part-time as well as full-time workers.

Establishment Survey data, by contrast, fell through much of the 1980s and early 1990s before finally leveling off in 1993. Unlike the other wage series, however, this one covers only production and nonsupervisory workers, who suffered relative wage declines in the 1980s.

Sources of Wage Data			
Source	Measure	Covered Workers	% Change, 1993-96
Current Population Survey (CPS)	median weekly earnings	full-time	-1.4*
Employment Cost Index (ECI)	index of hourly wages	all private industry	0.8
National Income and Product Accounts (NIPA)	average hourly wage	all	N.A.
Establishment Survey	average hourly wage	production and nonsupervisory	0.1
*Represents 1994-96 change because of 1994 CPS redesign.			

Real wages over the business cycle. Two factors affect the pattern of real wages observed over the business cycle. The first is the experience of individual workers who keep their jobs. The second is the changing composition of the labor force. During recessions lower skilled workers are more likely to lose their jobs. When the economy recovers, they get their jobs back. Therefore, during an expansion the labor force is likely to include more low-earnings workers, reducing the average wage of the labor force. Some research supports this hypothesis. Workers with strong employment histories appear to receive a 1 to 1½ point rise in wages for each percentage point drop in the unemployment rate.

Conclusion. The current economic expansion has not led to a noticeable increase in the standard measure of real wages. This may be misleading, however, to the extent that cyclical compositional changes in the workforce that occur over the business cycle may be masking the wage gains of the continuously employed.

Several other issues remain, however. First, this discussion has focused on wages, but total compensation, including fringe benefits, may be a better measure for some purposes. Second, this article has focused on wage growth from the perspective of worker welfare, deflating nominal wages by the consumer price index. An equally important issue is the cost of labor to producers. Deflating by producer prices would show higher wage costs because producer prices have risen more slowly than consumer prices recently. These issues will be addressed in future Weekly Economic Briefings.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

More Adults Return to the Classroom. More adults are heeding the call to lifetime learning and are taking formal steps to further their education, according to the Department of Education's newest Condition of Education report. In 1995, 40 percent of adults took part in adult education courses, up from 32 percent in 1991. About equal proportions of these adult students enrolled in work-related courses (21 percent) and classes for personal development (20 percent), while a much smaller number studied toward a diploma, degree or certificate (6 percent). The report notes that, while more workers are learning new skills, those who do not are finding that their opportunities are limited.

States Doing Well, Cut Taxes. The favorable national economic climate has allowed states to cut taxes, according to a report issued by the National Conference of State Legislatures. After cutting taxes by \$3.3 billion in 1995, states cut taxes even more—by \$3.6 billion—in 1996. Most of the reduction has come from personal income tax cuts. This is the first time since the late 1970s that states have adopted back-to-back tax cuts. Twenty-three states ended fiscal 1996 with general fund balances exceeding 5 percent, and many states have well-endowed rainy-day funds.

Decreasing Share of Wealth for the Most Affluent. A recent New York Times article reported that wealth became more concentrated between 1989 and 1994. This statement was based on preliminary results from a University of Michigan study that analyzed changes in families' net worth (assets like stocks, bonds, bank accounts, houses and cars, less debts like mortgages and credit card balances). The original results showed that the wealthiest 10 percent of households held 61 percent of total wealth in 1989 and 67 percent in 1994. Upon further review and prompted in part by the Council of Economic Advisers' skeptical reaction to the original results, the University of Michigan now reports that the top 10 percent of households held only 59 percent of total wealth in 1994, down from 1989.

Why -
taxes
*
Advisers

INTERNATIONAL ROUNDUP

Indonesia's Financial Markets Shaky As Country is Rocked by Political Violence. Indonesia's stock market dropped 5 percent on Monday following a weekend standoff between the government and the opposition Indonesia Democracy Party—the country's worst episode of political violence in 20 years. Indonesia's currency, the rupiah, lost value as well, although the fall was less pronounced. Despite the current financial market turmoil, confidence remains that the fundamentals of the Indonesian economy are solid. Over the last 25 years, Indonesia has transformed itself into one of the faster growing economies in East Asia, with output growth averaging 8 percent in the 1990s. Still, 25 million people remain below the country's poverty line (itself quite low) and more than a third of all children are malnourished. Child labor and unequal opportunities for schooling remain serious problems. Other challenges faced by the government include inflation, persisting at 10 percent, and the current account deficit, which runs on the order of 4 percent of GDP (roughly twice that of the United States).

Unpopular Argentine Economy Minister Ousted as Nation Protests Budget Cuts. On July 26, Argentine President Menem dismissed Economy Minister Domingo Cavallo, who had come to be identified as the architect of Argentina's austerity measures. The economic reform program introduced in 1991 reduced inflation dramatically (from nearly 200 percent in 1991 to less than 2 percent last year) and delivered 4 years of strong growth between 1991 and 1994. Last year, however, Argentina suffered a 4 percent drop in output and unemployment surged to 18 percent. Although the recession was partly a result of the events in Mexico in 1994, Argentina's fiscal position had become cause for concern. In order to meet this year's deficit target, Economy Minister Cavallo announced 3 weeks ago that further cutbacks in social spending were required. This announcement was met by widespread opposition and demands for Cavallo's resignation. As rumors of Cavallo's dismissal spread on July 26, the stock market in Buenos Aires tumbled 4 percent. The financial situation appears to be stabilizing, as the new Economy Minister, the former president of the Central Bank, is unlikely to waver from the reform program.

Women Break New Ground In Traditional Male Occupations, But Also Swell the Ranks of the Working Poor. Across the globe, women work longer hours and are paid 25 percent less than men, on average, according to a report released this week by the International Labor Organization. Representation of women in managerial and technical jobs has shown a strong upward trend especially in industrialized countries, but women still hold less than 6 percent of senior management jobs in the world. On the whole, however, women's economic activities continue to be highly concentrated in low-wage, low-productivity and precarious forms of employment. Lack of access to education is considered one of the main causes of female poverty and unemployment. Women account for nearly two-thirds of the world's one billion adult illiterates, and nearly 70 percent of the world's poor.

RELEASES THIS WEEK

Employment and Unemployment

****Embargoed until 8:30 a.m., Friday, August 2, 1996****

In July, the unemployment rate rose slightly to 5.4 percent from 5.3 percent in June. Nonfarm payroll employment rose by 193,000.

Gross Domestic Product

According to advance estimates, real gross domestic product grew at an annual rate of 4.2 percent in the second quarter.

NAPM Report on Business

The Purchasing Manager's Index declined to 50.2 percent in July from 54.3 percent in June.

Consumer Confidence

Consumer confidence, as measured by the Conference Board, rose 7.1 index points in July, to 107.2 (1985=100).

Employment Cost Index

The employment cost index for private industry workers increased 2.9 percent for the 12-month period ending in June.

MAJOR RELEASES NEXT WEEK

Leading Indicators (Monday)
Producer Prices (Friday)

U.S. ECONOMIC STATISTICS

	1970- 1993	1995	1995:4	1996:1	1996:2
Percent growth (annual rate)					
Real GDP (chain-type)	2.7	1.3	0.3	2.0	4.2
GDP chain-type price index	5.3	2.5	2.1	2.3	2.1
<u>Nonfarm business (NFB) sector:</u>					
Productivity (chain-type)	1.5	0.3	-0.8	2.1	N.A.
Real compensation per hour:					
Using CPI	0.6	1.0	0.5	0.1	N.A.
Using NFB deflator	1.3	1.7	2.0	2.4	N.A.
Shares of Nominal GDP (percent)					
Business fixed investment	10.9	10.2	10.2	10.4	10.2
Residential investment	4.5	4.0	4.0	4.1	4.2
Exports	8.2	11.1	11.4	11.3	11.3
Imports	9.2	12.4	12.3	12.5	12.7
Personal saving	5.1	3.4	3.8	3.6	3.2
Federal surplus	-2.7	-2.2	-2.1	-2.1	N.A.
	1970- 1993	1995	May 1996	June 1996	July 1996
Unemployment Rate	6.7**	5.6**	5.6	5.3	5.4
Payroll employment (thousands)					
increase per month			407	220	193
increase since Jan. 1993					10224
Inflation (percent per period)					
CPI	5.8	2.5	0.3	0.1	N.A.
PPI-Finished goods	5.0	2.3	-0.1	0.2	N.A.

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

New or revised data in **boldface**.

Employment and unemployment data **embargoed until 8:30 a.m., Friday, August 2, 1996.**

FINANCIAL STATISTICS

	1994	1995	June 1996	July 1996	August 1, 1996
Dow-Jones Industrial Average	3794	4494	5672	5496	5595
Interest Rates					
3-month T-bill	4.25	5.49	5.09	5.15	5.11
10-year T-bond	7.09	6.57	6.91	6.87	6.65
Mortgage rate, 30-year fixed	8.35	7.95	8.32	8.25	8.23
Prime rate	7.15	8.83	8.25	8.25	8.25

INTERNATIONAL STATISTICS

Exchange Rates	Current level August 1, 1996	Percent Change from	
		Week ago	Year ago
Deutschemark-Dollar	1.474	-0.4	+6.7
Yen-Dollar	106.8	-1.5	+20.7
Multilateral \$ (Mar. 1973=100)	86.01	-0.4	+5.4

International Comparisons	Real GDP growth (last 4 quarters)	Unemployment rate	CPI inflation (last 12 months)
United States	2.6 (Q2)	5.4 (Jul)	2.8 (Jun)
Canada	0.6 (Q1)	9.4 (May)	1.4 (Jun)
Japan	5.5 (Q1)	3.6 (May)	0.0 (Jun)
France	0.9 (Q1)	12.6 (Mar)	2.3 (Jun)
Germany	0.4 (Q1)	7.1 (May)	1.3 (Jun)
Italy	1.6 (Q1)	12.5 (Apr)	4.0 (Jun)
United Kingdom	1.9 (Q2)	8.3 (May)	2.2 (Jun)

U.S. unemployment data embargoed until 8:30 a.m., Friday,
August 2, 1996.

- **Older American Homeownership Loans:** On August 9, Secretary Cisneros will be in Miami, FL, to host a regional homeownership summit with Mayor *Pro Tem* Arthur Teele. The summit will focus on HUD's efforts to expand the reverse mortgage program to help more older American homeowners convert the equity in their homes into cash. The new line of credit provided by these loans will help older Americans continue to live independently, remain in their own homes, and afford the cost of health-care and other expenses.
- **Minority Housing Plan:** On August 13, Secretary Cisneros will address the National Urban League at its national conference in New Orleans, LA, to announce a new effort to expand homeownership opportunities for minority families. The Government National Mortgage Association's (Ginnie Mae's) Targeted Lending Initiative will provide a reduction on the guarantee fee for lenders who target their financing efforts to families in underserved communities.
- **Secretary's Travel:** On August 14, Mayor Emanuel Cleaver will join Secretary Cisneros in hosting the Kansas City Regional Homeownership Summit.

OFFICE OF NATIONAL DRUG CONTROL POLICY

- **Events in Detroit, MI:** On August 1, Director McCaffrey addressed a meeting of 57 Detroit church congregations engaged in anti-drug programs. On August 2, Detroit, Director McCaffrey met with state and local law enforcement officials and visited a Boys & Girls Club-sponsored drug prevention program.
- **Secretary's Travel:** Next week in Kansas City, MI, Director McCaffrey will participate in Drug-Free Awareness Month activities. He will attend a ribbon cutting ceremony at a reclaimed crack house and address a business forum on drug-free workplaces. In St. Louis, MI, Director McCaffrey will also receive a briefing on the regional drug situation from DEA and FBI, conduct an interview with the *St. Louis Post-Dispatch*, and address a D.A.R.E. America convention.

DEPARTMENT OF INTERIOR

- **NM Indian Gaming:** Last week, a federal district court ruled against the NM tribes, holding that the gaming compacts signed by the tribes and Governor were invalid due to lack of legislative approval. On July 25, the NM district court issued a stay of its order declaring the compacts invalid. The court reasoned that a stay was appropriate because the possible hardships to the tribes and that the legal question was a close one. The stay will allow the tribes to continue gaming while the matter is on appeal to the Tenth Circuit Court of Appeals. DOJ has not determined whether to ask the Tenth Circuit to lift the stay.

Leah
for Mr. Miller

cc: w/ incoming.
Bob Nash

THE WHITE HOUSE
WASHINGTON

August 6, 1996

Don Birdsong
Post Office Box 1498
Benton, Arkansas 72018

Dear Don:

Thanks for your letter of July 29 and for your offer to assist our efforts in combating domestic terrorism. I'll consider your generous suggestion and have let Bob Nash know of your interest.

I hope to see you before long.

Sincerely,

Bill Clinton

July 29, 1996

*Heuleen
at York*

President Bill Clinton
White House
Washington, D.C.

Dear Mr. President:

During the last several weeks the tranquility of our democratic society has been challenged. A bomb may destroy life and property, but no devastation, no matter how great, can destroy the American spirit. As always, we will adapt and overcome. I am proud of the strong stance you have taken against these criminal acts.

Since January, 1995, I have been the supervisor of the Crime Analysis Unit of the Arkansas State Police. Our office worked closely with the Oklahoma authorities during the Oklahoma City bombing. This brought domestic terrorism up close and personal. Due to the fact Arkansas is your home state, we have dedicated ourselves to developing information on domestic threats which could endanger the citizens of our state. I realize the need for strong counter terrorism measures, and would like to be part of the solution to these problems.

For these reasons, I would appreciate being considered for an appointment to any commissions, committees or panels dealing with domestic terrorism. It would be a great honor to serve in this capacity, for my country and for the citizens of Arkansas. I would like to play a role in preserving the security of our nation's public trust and inalienable right to live free from cowardly attacks of terrorists. I appreciate your assistance in this matter.

Good luck on your campaign. I have been part of each of your campaigns since you were first elected Governor. It seems odd not to be with you on this one. I was out of town during your recent trips home, but I hope we will have the opportunity to visit in the near future.

Sincerely,

Don

Don Birdsong
P.O. Box 1498
Benton, Arkansas 72018

BILL CLINTON

TO: Nancy Hennrich FROM: Susie Whitacre
OFFICE: _____ OFFICE: DNC-AR/Clinton-AR Office
PHONE: _____ PHONE: (501) 372-5500
FAX: 202 456-6703 FAX: (501) 375-0512

I am sending 2 page(s), including cover page. Please call
372-5500 if there are problems with receiving this fax. Thanks.

MESSAGE: Nancy, I sent a copy of Ann's letter
to Bob Nash.

Susie

E-6-26

disabled children as an area for amelioration along with food stamps and legal immigrants. **Social Security/Disability** -- Concerning implementation of the new law to eliminate drug addiction and alcoholism as qualifying disabilities, 70-80% of the 200,000 people on the rolls due to such problems are expected to requalify for benefits under another disability, such as AIDS/HIV.

Hilley memo praising staff efforts in passage of major bills. **Health care** -- There wouldn't have been a bill without the efforts of Chris Jennings whose creativity and hard work were critical to the MSA compromise, and he was supported throughout by Jennifer Klein. David Nexon of Sen. Kennedy's staff deserves special recognition. Nancy Ann Min coordinated the interagency and Congressional effort on designing an MSA cap, monitoring, and enforcement mechanism. Numerous people at Treasury, including Don Lubin, Mark Iwry and Eric Toder helped with technical estimation and design issues. Bob Rubin was very helpful in encouraging Treasury's technical people to make the MSA experiment work. Susan Brophy oversaw the passage of the bill on the Senate floor. **Welfare Reform** -- The working group consisted of Bruce Reed, Rahm, Emily Bromberg, Ken Apfel, Rich Tarplin of HHS, Susan Brophy, Janet Murguia and Hilley. Rahm and Bruce generated a string of initiatives that gave us credibility on welfare, and Ken Apfel was a tireless helper. **Minimum wage** -- Leg Affairs was instrumental in helping defeat the 'small business carve out' in both the House and the Senate." Janet Murguia and Barbara Chow worked closely with Hilley, and they had great cooperation from Bob Rubin, and his chief legislative aide, Linda Robertson. Leon was exceptional in overseeing all efforts.

(E) Cardinal Law letter on welfare reform. Urges you to reconsider your decision to sign bill. Argues that a bi-partisan effort is needed to develop legislation that would ensure legitimate reform of the welfare system. *A response is being drafted for you.*

(F) Benjamin Cheever letter to Harold. A warm letter to Harold from a friend (evidently John Cheever's son) who was very moved by his experience of touring the White House with Harold. He was most taken with your study. And struck by the parallels between you and Lincoln.

(G) Letter from James Wolfensohn on your upcoming vacation. He is thrilled you are going to Jackson Hole, and asks that you let him know if you'd like to play golf. "We know that you have very few days so we will not intrude but if we can do anything to make things more pleasant for you -- just call."

I should do
do this to
staff by
Hilley
sent to
Chris
Walker
John Hilley

96 Aug 3 A 11:15

THE WHITE HOUSE

WASHINGTON

August 3, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN HILLEY *JH*

SUBJECT: KEY STAFF EFFORTS IN THE PASSAGE OF HEALTH CARE REFORM, WELFARE REFORM, AND THE MINIMUM WAGE INCREASE

You will soon sign welfare reform, health care reform, and a minimum wage increase. I want you to know of the efforts of some of the people who were instrumental to this effort. Leon was exceptional in overseeing our efforts. I greatly appreciate the confidence and trust he has shown in me and all those who helped.

Health Care Reform

This was the most interesting dance of legislation of the three. The back and forth between House and Senate, committees and Leadership, Hastert, Kennedy, Lott, Daschle and many others went on for over a month -- but always in the direction of compromise. Our strategy of moving the bill close enough for Kennedy to validate the outcome ultimately succeeded -- and he was, as always, the ultimate team player in closing the deal.

I don't believe there would have been a bill without the efforts of Chris Jennings. His creativity and hard work were critical to the MSA compromise. As we moved the discussion to where Kennedy and Archer could close the gap and reach an agreement, Chris was instrumental every step of the way -- including the final week as we worked through the portability issue. He was supported throughout by the strong efforts of Jennifer Klein.

David Nexon of Senator Kennedy's staff deserves special recognition for making the bill work. He was a great negotiator and a very positive force in bringing Senator Kennedy along.

Nancy Ann Min coordinated the interagency and Congressional effort on designing an MSA cap, monitoring, and enforcement mechanism. Numerous people at Treasury, including Don Lubin, Mark Iwry and Eric Toder helped with the technical estimation and design issues. Bob Rubin was a tremendous help in encouraging Treasury's technical people to make the MSA experiment work. Susan Brophy oversaw the passage of the bill on the Senate floor, a unanimous vote on a clean bill after the defeat of the Dole MSA amendment.

Welfare Reform

Throughout the year we had a working group consisting of Bruce Reed, Rahm, Emily Bromberg, Ken Apfel, Rich Tarplin of HHS, Susan, Janet Murguia, and myself. Each of them made wonderful contributions both on substance and legislative tactics.

Rahm and Bruce are the "doers" who have generated a string of initiatives that gave us credibility on welfare. They are great on substance and message. Ken Apfel is a liberal at heart but was always realistic and willing to make this bill work. He knows his stuff and is a tireless helper. Rich Tarlin was important in keeping HHS on the reservation and monitoring the Hill.

Our strategy was to keep the process moving toward the middle using Breaux/Chafee, Castle/Tanner and the Leadership. With the power of your two vetoes and the push from the moderates we were able to markedly improve the Republican bill. Our liberals deserve great credit for moving to the center and substantially staying with us. We believe you will sign a mainstream welfare reform bill that is good for the country.

Minimum Wage

This was our great issue. It energized Congressional Democrats and ultimately drove Bob Dole from the Senate. Senators Kennedy and Daschle knew when to pounce and used the divisions among Republicans to elevate the issue.

After the Republicans broke ranks in the House, our office was instrumental in helping defeat the "small business carve out" in both the House and the Senate, giving you a bill without a poison pill. Janet Murguia and Barbara Chow worked closely with me on this bill, with Barbara working with Treasury on the tax package. We had the outstanding cooperation of Bob Rubin and his chief legislative aide, Linda Robertson.

cc: The Vice President
Leon Panetta
Harold Ickes
Evelyn Lieberman

August 1, 1996

MEMORANDUM

TO: The President
FROM: Nancy Hernreich
Mildred C. Alston
RE: Recent Correspondence

THE PRESIDENT HAS SEEN
8-6-96

Gerald Nafe sends John Young's op-ed piece in which he cites examples of the doomsayers' being way, way off about Clintonomics.

let her see
cc: Mc Curry
Ann Leibel
Shore and Wain to
with community group
- BJ

THE PRESIDENT HAS SEEN

8-6-96

Just

Carolyn: Re: copy of John Young's piece. of 7-18-96

Please pass on to The President.

Donna and I send our best to all of you.

Have a great weekend.

Thanks,

To:

Carolyn Huber
TWH - E.W. 214

Gerald

Gerald Nafe
1801 Southern Dr
Waco, TX

7-19-96

3:45 pm CDT

8-6-96

7-18-96

TOTAL P.02

The sky did not fall

Disaster doomsayers were way, way off about Clintonomics

"We are buying a one-way ticket to a recession."
— Phil Gramm, 1993.

Who has the standing to dispute the pronouncement of an esteemed Aggie economeister? When Gramm was denouncing a package of tax hikes in 1993, all that supporters of the plan could say was, "Well, if a recession happens, at least we've done something about the deficit."

Somewhere along the line we stopped closing our eyes and holding our breaths. The Great Recession of 1994 did not hit. The Great Recession of 1995 did not hit. It's 1996 and employment figures are robust — in fact too robust for the inflation-wary Federal Reserve Board.

And you know what else happened? The annual federal deficit went down.

■ "Do not kid anybody. Nobody is going to cut spending around here. Spending cuts — where will they come? Do not hold your breath, America." — Bob Dole, 1993.

That's right. Don't hold your breath. Breathe in, breathe out. This week the administration projected that the annual deficit for this fiscal year will be \$119 billion, nothing to sneeze at since it continues to add to a \$5 trillion debt, but nearly a third of what Clinton inherited.

Name another president in the last 20 years who could claim the same.

Time's up.

■ "It'll flatten the economy." — U.S. Sen. William Roth, 1993.

The Delaware Republican, of course, was talking about that tax-hike package. It's something about which Americans can expect to hear a lot from Bob Dole & Co. this fall. They will call it the "largest tax increase in history."

More accurately, they should call it the largest tax increase in history that almost nobody felt. Get used to the number \$260 billion. That's what Dole will repeat on every stump — he'll denounce the \$260 billion tax hike that crippled the country.

What he won't say is that aside from a gasoline tax hike, the tax bill mainly affected individuals earning more than \$115,000 a year or couples making \$140,000 a year. You know how much of Ameri-



JOHN YOUNG

Opinion page editor

ca that represents? One percent of America.

Did it flatten the economy to raise taxes to help pay off our debts? Hardly. Ask the Fed. Ask Wall Street. Don't ask the Chicken Littles of the political world. They have a tendency to go off half-squawked.

■ "I believe this will lead to a recession next year. This is the Democrat machine's recession, and each one of them will be held personally accountable." — Newt Gingrich, 1993.

Gingrich may have used such rhetoric to his advantage in off-year electioneering, but he was wrong, wrong, wrong.

This is understandable. The Clinton tax package repudiated supply-side sorcery that staked us all to theory that we could balance our budget by lowering tax rates, since there would be more revenue for the government by boosting productivity.

There's no doubt that tax cuts can help the economy in the midst of a recession — happened with Kennedy, happened with Reagan. Unfortunately in the Reagan years we put cart before ox. We cut taxes without figuring out ways to pay for a breck-neck defense buildup. We borrowed like maniacs.

Dole now proposes \$2.5 trillion in tax cuts. That's big money if you can find someone to loan it to you. But Uncle Sam doesn't have \$2.5 trillion to spare. The short-term economic boost of the Reagan go-go years has the federal government buckling under debt.

That's why Bill Clinton could pass a package of tax hikes in 1993, that and the fact that those who benefited the most from Reagan-era tax policies were the wealthiest Americans. Clinton simply was evening things out a bit.

■ "It is a serious fiscal risk for our country. It is a disaster." U.S. Rep. John Doolittle, R-Calif., 1993.

Shall we call him Congressman Chickenlittle?

John Young's column appears Tuesday, Thursday and Sunday.

Passing it on

Kudos to your paper porter Lynn Bulmahn another service to the community.

In a recent article, Senior page, Family Practice Center asked readers to no-longer-needed equipment. Our intent cycle and redistribut aids to better health to come and indigent patients would otherwise do with

With your help, our project is off to a running start. Generosity of Waco residents heartwarming and we distribution to the needy week. Thank you, *The Herald*, for making this

Kathleen E. Myers
Assistant administrator
Family Practice Center

Not forgotten

I was very distressed reading the article on, about my father-in-law John R. Kane, written by as Turner. The headline article stated that my in-law was a forgotten man

Nothing could be further from the truth. His burial at Arlington National Cemetery was with full military honors. The showing of respect from both active and retired Air Force personnel was tremendous.

His honor guard consists of Congressional Medal of Honor recipients, men from the

Feminist avant-garde sees women a

WASHINGTON — After having sex with her husband, who then fell asleep, the Denver woman, who was having an extramarital affair at the time and had recently taken out a large life insurance policy on her husband, shot him.

She then disordered the house to suggest that the killer had been a burglar, and went to a disco with her sister.

Her conviction was a setback for Lenore Walker, who testified as an expert witness that the woman's behavior was consistent with the "battered woman



GEORGE WILL

Syndicated columnist

In Canada a woman was convicted only of second-degree murder after she stabbed to death her boyfriend following a quarrel. He had never

tion, and Young, vice president of the Freedom Network, argue that the depiction of women in need of dispensations is an unflattering stereotype. A Victorian notion that women

The Supreme Court has sued an employer for sexual harassment. A "hostile work environment" Weiss and Young are uneasy about "regulating the

THE WHITE HOUSE
WASHINGTON

August 6, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TS*
HELEN HOWELL *HH*

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

TS (A) **Lake note on Armstrong litigation.** Last Friday, the D.C. Court of Appeals reversed a lower court ruling and accepted our assertion that the NSC is an exclusively Presidential entity, not subject to FOIA. We took this position in response to the lower court's holding that NSC's records must be deemed either exclusively Presidential or agency records, which would be subject to FOIA. That ruling implicitly rejected the NSC's 40-year practice of treating some records as Presidential and some not. Notwithstanding this legal vindication, NSC will continue to follow your policy of making appropriate NSC documents available to the public.

TS (B) **Treasury memo on CDFI Fund.** Via Sec. Rubin. On July 31, Sec. Rubin announced the results of the first round of competition under the CDFI Fund -- 31 CDFIs (out of 278 applicants) will receive \$35.5 million in grants, loans, equity investments and technical assistance. The CDFIs selected serve communities in 46 states and DC, and include community development banks, credit unions, loan funds, venture capital funds and microenterprise funds. This is the 1st step in fulfilling your commitment to create a nationwide network of private sector financial institutions dedicated to community development.

TS (C) **Rasco weekly report July 27-August 2 -- key points.** Health Care -- HHS is disallowing \$100 million in Alabama Medicaid funds because it believes the state is using artificial managed care networks to evade the limits on the Medicaid disproportionate share program. The state plans major budget cuts on September 1 because of the disallowance, including cuts to nursing homes. Sen. Heflin and HHS have pushed a compromise but the state does not appear to be embracing it. The state AG (GOP nominee for Heflin's seat) is expected to file a lawsuit against HHS this week, and an injunction may be granted. Welfare Reform -- 1) You should receive an implementation memo from HHS by August 20. 2) The disability community is concerned that you haven't identified elimination of SSI benefits for 300,000+

Lake Howell

disabled children as an area for amelioration along with food stamps and legal immigrants. **Social Security/Disability** -- Concerning implementation of the new law to eliminate drug addiction and alcoholism as qualifying disabilities, 70-80% of the 200,000 people on the rolls due to such problems are expected to requalify for benefits under another disability, such as AIDS/HIV.

*1 should be
do this to
staff by
Hilley*

(B) **Hilley memo praising staff efforts in passage of major bills.** **Health care** -- There wouldn't have been a bill without the efforts of Chris Jennings whose creativity and hard work were critical to the MSA compromise, and he was supported throughout by Jennifer Klein. David Nexon of Sen. Kennedy's staff deserves special recognition. Nancy Ann Min coordinated the interagency and Congressional effort on designing an MSA cap, monitoring, and enforcement mechanism. Numerous people at Treasury, including Don Lubin, Mark Iwry and Eric Toder helped with technical estimation and design issues. Bob Rubin was very helpful in encouraging Treasury's technical people to make the MSA experiment work. Susan Brophy oversaw the passage of the bill on the Senate floor. **Welfare Reform** -- The working group consisted of Bruce Reed, Rahm, Emily Bromberg, Ken Apfel, Rich Tarplin of HHS, Susan Brophy, Janet Murguia and Hilley. Rahm and Bruce generated a string of initiatives that gave us credibility on welfare, and Ken Apfel was a tireless helper. **Minimum wage** -- Leg Affairs was instrumental in helping defeat the 'small business carve out' in both the House and the Senate." Janet Murguia and Barbara Chow worked closely with Hilley, and they had great cooperation from Bob Rubin, and his chief legislative aide, Linda Robertson. Leon was exceptional in overseeing all efforts.

(F) **Cardinal Law letter on welfare reform.** Urges you to reconsider your decision to sign bill. Argues that a bi-partisan effort is needed to develop legislation that would ensure legitimate reform of the welfare system. *A response is being drafted for you.*

(F) **Benjamin Cheever letter to Harold.** A warm letter to Harold from a friend (evidently John Cheever's son) who was very moved by his experience of touring the White House with Harold. He was most taken with your study. And struck by the parallels between you and Lincoln.

(G) **Letter from James Wolfensohn on your upcoming vacation.** He is thrilled you are going to Jackson Hole, and asks that you let him know if you'd like to play golf. "We know that you have very few days so we will not intrude but if we can do anything to make things more pleasant for you -- just call."

rec'd Aug 5, 1996
11:30 am

THE WHITE HOUSE

WASHINGTON

August 5, 1996

MEMORANDUM FOR THE PRESIDENT

From: Carol H. Rasco *EEO for
CHR*

Subject: Weekly Report: July 27 - August 2, 1996

UPDATES ON KEY INITIATIVES

HEALTH CARE

Alabama Disproportionate Share -- The dispute over Alabama disproportionate share payments may be worsening. The state attorney general (who is also the Republican nominee for retiring Senator Heflin's seat) is expected to file a lawsuit against HHS next week, and it is possible an injunction will be granted.

HHS is disallowing nearly \$100 million in Alabama Medicaid funds because it believes that the state is using artificial managed care networks to evade the limits on the Medicaid disproportionate share (DSH) program established by Congress in 1993, after states abused that program. The state plans major budget cuts on September 1 because of the disallowance, including cuts in nursing homes.

HHS has been working with Senator Heflin to push a compromise that would allow the state to accomplish most of what it wants, but the state does not appear to be embracing it. HHS's fallback strategy is to make it clear that the state rejected a satisfactory compromise.

WELFARE REFORM

Implementation Issues -- Bruce Reed and I held a conference call with senior staff at HHS to discuss preliminary planning for implementing the welfare reform bill. HHS's first deadline is to issue child support performance standards by November, 1996. Critical implementation issues include the handling of existing waivers and the establishment of maintenance of effort rules. Bruce, Jeremy Ben-Ami, and I will be working with HHS, USDA, SSA and INS on implementation in the coming weeks, and have asked HHS to prepare an implementation memo for the President by August 20.

Disability and Welfare Reform -- The disability community has a number of concerns about welfare reform, many of which parallel the concerns of other advocacy groups. However, one particular change that the community strongly opposes is the elimination of SSI benefits for over 300,000 disabled children over the next six years. Most of these children have moderate disabilities, many

of them have mental impairments or combinations of impairments that are not captured by other criteria. Children will be removed from the rolls beginning July 1997. The change arose out of largely unsubstantiated anecdotes that parents were coaching their children to "act crazy" to get benefits. We reluctantly agreed to the proposal as the House was contemplating far worse cuts. Advocates have been unhappy that we have not listed this as a potential area for amelioration, along with food stamps and legal immigrants. Other issues of concern to the community include the incidence of disability among women on AFDC and the loss of benefits to disabled legal immigrants.

SOCIAL SECURITY / DISABILITY

Cuts from Social Security Rolls -- DPC staff met with the Social Security Administration and disability advocates on SSA's implementation of a law enacted in March to eliminate drug addiction and alcoholism as qualifying disabilities for SSI and SSDI benefits as of January 1. Approximately 70-80% of the 200,000 people on the rolls due to drug addiction or alcoholism are expected to requalify for benefits under another disability, such as AIDS/HIV. We are trying to ensure a smooth transition.

WOMEN'S ISSUES

White House Update For Women/Monthly Newsletter -- DPC and the Women's Office are working together to produce a regular bi-monthly White House update for women's groups. We are sending out the next issue Monday.

SOCIAL POLICY

Child Welfare Discussion Sessions -- On Thursday, August 8, we will hold the second discussion session on the state of the country's child welfare system. We are bringing in experts from around the country drawn from the legal, academic, advocacy, practitioner, and think tank communities to share with us their views on the problems within the child welfare system and their thoughts on what role the federal government should play in addressing these problems. Over the next few months, we are planning to meet with several more groups and begin to craft a comprehensive definition of the problems and a set of policy solutions to address the problems.

EXTERNAL ACTIVITIES

MEETINGS AND PRESS

I will be in Atlanta from August 11 - 16 to participate in events relating to the 1996 Atlanta Paralympic Games. While there, I will: co-chair a two-day Paralympic Congress Consensus Session entitled "Making Sports Opportunities Available to Children with Disabilities Worldwide;" give the welcoming remarks for the first

International Disability Film Festival; visit disability technology projects at the Georgia Institute for Technology; join the Vice President and Mrs. Gore at the Paralympics Opening Ceremony Gala (at the Carter Center) and the Opening Ceremonies of the Xth Paralympiad; attend the Paralympic Congress' Closing Press Conference; and conclude my visit by speaking, along with Andy Flemming (President and CEO of the Paralympic Games) and others, at the dedication ceremony for the opening of the Abilities Expo --- a trade show of products for people with disabilities. I expect to conduct interviews with disability and mainstream press throughout the week.

At the request of the press office and Bruce Reed, Lyn Hogan was a featured guest on two radio programs -- the Hugh Rodham Show and Wisconsin Public Radio -- to support the Administration's position on welfare reform.

THE WHITE HOUSE
WASHINGTON

August 6, 1996

MEMORANDUM FOR THE PRESIDENT

FROM: TODD STERN *TS*
HELEN HOWELL *HH*

SUBJECT: Recent Information Items

We are forwarding the following recent information items:

- JS* (A) **Lake note on Armstrong litigation.** Last Friday, the D.C. Court of Appeals reversed a lower court ruling and accepted our assertion that the NSC is an exclusively Presidential entity, not subject to FOIA. We took this position in response to the lower court's holding that NSC's records must be deemed either exclusively Presidential or agency records, which would be subject to FOIA. That ruling implicitly rejected the NSC's 40-year practice of treating some records as Presidential and some not. Notwithstanding this legal vindication, NSC will continue to follow your policy of making appropriate NSC documents available to the public.
- JS* (B) **Treasury memo on CDFI Fund.** Via Sec. Rubin. On July 31, Sec. Rubin announced the results of the first round of competition under the CDFI Fund -- 31 CDFIs (out of 278 applicants) will receive \$35.5 million in grants, loans, equity investments and technical assistance. The CDFIs selected serve communities in 46 states and DC, and include community development banks, credit unions, loan funds, venture capital funds and microenterprise funds. This is the 1st step in fulfilling your commitment to create a nationwide network of private sector financial institutions dedicated to community development.
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- HH*

96 Aug 3 P5:00

THE WHITE HOUSE

WASHINGTON

August 3, 1996

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE 

SUBJECT: Armstrong Litigation

A year and a half ago, you authorized us to assert in litigation that the NSC was an exclusively Presidential entity, not subject to the Freedom of Information Act (FOIA). You authorized that position in response to a federal court ruling that unless an entity is exclusively Presidential then all of its records must be treated as agency records subject to FOIA. This ruling implicitly rejected the 40-year NSC practice of treating some of its documents as Presidential, and others as agency records subject to FOIA. Therefore, to protect your ability to continue to treat some NSC records as Presidential, we had to assert that the NSC was solely Presidential. You authorized us to assert that position in the courts, while also directing that we continue voluntarily the practice of making appropriate NSC documents available to the public.

Friday, the D.C. Court of Appeals agreed with our legal position, in a 2-1 decision. Notwithstanding this legal vindication, we will, of course, continue to implement the voluntary release policy that you directed.

cc: Vice President
Chief of Staff

LL-CLINTON

cc: w/ incoming:
Harold Ickes
Dove
Scheduling (golf)
U. N. to do
Memo to Ann
Peter K

August 6, 1996

Lanny J. Davis
12517 Bracken Hill Lane
Potomac, Maryland 20854

Dear Lanny:

Thanks for your note of July 27 and for your offer to assist our efforts at the Convention. I've asked Harold to look into your suggestion, and someone from his staff should get back to you.

As always, Hillary and I are very grateful for your support and for all your good work on our behalf. I hope that we'll be able to arrange a round with you and Seth.

Sincerely,

Bill

I'd love to play
golf with you. This is
a little bit but I'll
try to set it up—

Lanny J. Davis
12517 Bracken Hill Lane
Potomac, Maryland 20854

9/29

Dear Mr. President,

I've enjoyed my media activity on
you + Hillary's behalf. It has been
a labor of love. I'm very proud to
support you both.

I have two requests of you which
I hope you will consider -

1. I'd like to go to the Convention
in some capacity so I could speak
on your behalf to delegations,
talk shows, TV/radio etc. I know
I can do this well - on the
issues and themes and record of
your Administration.

2. Would you play golf with me and
my son at Norbeck E.C. (Olney,
Maryland)? Seth is 27, works for
Sports Illustrated, and is one of
your most loyal supporters!
(He's also a 12 handicap - as am I).

I would be eternally grateful -

Best always,
Lanny

When
entering



Handwritten signature/initials

ITE HOUSE
INGTON

Gift
Unit

August 6, 1996

Dear Helmut:

Thank you for the compact discs, which Ambassador Chrobog passed along to me. It was kind of you to remember my birthday with these wonderful recordings from Germany, and I will think of our friendship each time I play them.

birthday

Hillary and I hope you are doing well and look forward to seeing you soon.

Sincerely,

Bill

His Excellency
Dr. Helmut Kohl
Chancellor of the Federal Republic of Germany
Bonn

THE PRESIDENT HAS SEEN

8-6-96

THE WHITE HOUSE

WASHINGTON
August 6, 1996

copy to
Guinn

MR. PRESIDENT:

The attached Counsel memo recommends a
pardon for Peter MacDonald, Sr., former Chairman
of the Navajo Nation Tribal Council of Delegates.

MacDonald was convicted in 1992 by a tribal and federal
court of defrauding a Navajo business development fund of
\$2 million while serving his 4th term as Council Chairman;
he was convicted in 1993 by a federal court of kidnapping
and burglary arising out of a failed attempt to take over the
tribal Council after the Council had voted in 1989 to put him
on leave in view of the fraud charges. Several Navajo
police officers were seriously injured and two of
MacDonald's faction were killed in the attempt.

MacDonald, who is serving 15 years in prison, seeks a full
pardon to promote "peace and harmony" and because of his
advanced age (67) and health. He actually enjoys much
support within the Navajo Nation, and has secured a tribal
pardon. Jimmy Carter also supports his petition.

However, DOJ strongly recommends against a pardon
because the crimes were serious; MacDonald has shown a
lack of remorse; age alone does not justify mercy; his health
prognosis, despite a recent heart attack, is good; and the
U.S. Attorney and two federal sentencing judges strongly
oppose a pardon. Counsel's Office concurs.

☒ Deny

☐ Grant

☐ Discuss

Should we consider
for commuted sentence?

Todd Stern
Helen Howell

THE PRESIDENT HAS SEEN

8-6-96

96 JUL 12 11:26

THE WHITE HOUSE

WASHINGTON

July 11, 1996

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK QUINN *Jack Quinn*
COUNSEL TO THE PRESIDENT

DAWN CHIRWA *Dawn Chirwa*
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT:

Denial of Pardon Request for Peter MacDonald, Sr.

Peter MacDonald, Sr. is the former Chairman of the Navajo Nation Tribal Council of Delegates ("the Council"), the elected governing body of the Navajo tribe. He was convicted in two separate trials between 1992 and 1993 of a variety of federal offenses including racketeering, racketeering conspiracy, extortion, mail and wire fraud, interstate transportation in aid of racketeering, third degree burglary and conspiracy to commit kidnapping. MacDonald is serving a total federal prison term of approximately 15 years for his crimes and is due to be released in 2005. He seeks a Presidential pardon from these offenses.

We have received the Justice Department's recommendation against granting a pardon to Mr. MacDonald. After reviewing the Department's memorandum on his case, we have concluded that denial of MacDonald's petition is appropriate.

The offenses of which MacDonald was convicted occurred between 1987 and 1989 while he was serving his fourth and final term as Chairman of the Council. Through these crimes, MacDonald, together with his son and two business associates, succeeded in defrauding a Navajo tribal business development fund of approximately \$2 million.

In 1989, when MacDonald's schemes came to light, the Council voted to place him on administrative leave pending the outcome of an investigation. MacDonald refused to accept this decision and formed a faction of supporters, labelled them his "security force" and exhorted them to take over the Council and re-install him as Chairman. Part of the takeover plan included the abduction of a Navajo police lieutenant to use as a hostage and bargaining chip. MacDonald's plans led to a riot started by his "security force" in which several Navajo police officers were seriously injured, two of MacDonald's faction were killed by police and the Council offices were ransacked. MacDonald's attempt to take over the Council was unsuccessful.

In 1992, MacDonald and his three co-conspirators were convicted both by a Navajo tribal court and in the United States District Court in Arizona of defrauding the Navajo tribe. In 1993, MacDonald and 31 co-defendants were convicted in federal court on charges of kidnapping and burglary arising from the attempted takeover of the Council. Of all the defendants in this case, MacDonald received the most severe sentence. The Ninth Circuit has since upheld his convictions.

MacDonald now seeks a "full Presidential pardon" for all of his convictions in order to (1) promote "peace, harmony" and tribal reconciliation; and, (2) because of his advanced age (67) and failing health, which has included a recent heart attack.

MacDonald does enjoy a great deal of support within the Navajo Nation. The present Chairman of the Navajo Council, Albert Hale, a supporter of MacDonald, has succeeded in persuading the Council to grant MacDonald a tribal pardon. In addition, Mr. Hale has met with us twice to discuss MacDonald's many contributions to the Navajo Nation and to urge that MacDonald be granted a Presidential pardon. Former President Jimmy Carter has sent a letter to you recommending a pardon for MacDonald to "promote healing" within the Navajo community.

Nevertheless, the Deputy Attorney General has concluded, and we agree, that clemency is not warranted for the following reasons:

- (1) MacDonald's crimes were extremely serious, including a breach of public trust and instigation of violence, for which he has shown a marked lack of remorse.
- (2) Although MacDonald did suffer a recent heart attack, his prognosis is now good, he is said to be in no imminent danger of death and his health can be more than adequately monitored in federal prison.
- (3) His advanced age does not, by itself, suggest mercy, since his offenses did not occur when he was a young man, but were quite recent.
- (4) The U.S. Attorney as well as two separate federal sentencing judges both strongly recommend against a pardon in this case due to the nature of the crimes and MacDonald's lack of genuine remorse.
- (5) According to the Department of Justice Office of Tribal Justice, which is familiar with the case and also recommends against a pardon, it is highly unclear whether granting MacDonald's request would truly heal rifts in the Navajo Nation or would, on the contrary, exacerbate divisions within the tribe.
- (6) It would be truly extraordinary to grant a "full pardon" to MacDonald while he is serving his prison term. Normally,

such a measure is taken only in cases in which some miscarriage of justice has occurred or an extraordinary benefit to society would result. This case presents neither of those situations.

Based on our review of the Justice Department's summary and recommendation, we concur with the Deputy Attorney General that MacDonald's petition should be denied.

DENY:

GRANT:

DISCUSS:



Lebanese American Council of Detroit

3250 W. Big Beaver Rd.

Suite 120

Troy, Michigan 48084

President Bill Clinton
The White House

Handwritten: ~~State Dept~~
Handwritten: [Signature]
Handwritten: [Signature]

THE PRESIDENT HAS SEEN
Handwritten: 8-6-96



Lebanese American Council of Detroit

THE PRESIDENT HAS SEEN

8-6-96

Member of the Council of Lebanese American Organizations

President Bill Clinton
The White House

08-06-96

Dear President Clinton:

While we were working closely with you on the 1992 campaign I can vividly recall how excited our Lebanese American Community became about your stated position on Lebanon. To jog your memory please allow me to quote one of your letters, which was widely published at the time. Your words came across like a clarion call for Lebanon's independence, and they went right to the heart of every Lebanese, here and abroad. You wrote:

As we address the issues in this campaign, Senator Gore and I are closely following Lebanon's struggle to establish democracy. The recent parliamentary elections in Lebanon cannot be considered free and fair. No international observers were allowed, and virtually the entire election system was flawed. There are some 40,000 Syrian troops occupying Lebanon. The resulting boycott by large parts of the Christian community has further rendered the election results unrepresentative. Obviously, the withdrawal of Syrian troops is essential to Lebanon's regaining its independence.

The Bush Administration appears willing to sacrifice the prospects for an independent Lebanon in order to curry favor with Syria's dictator, Hafez Assad. To acquiesce now to Syria's control over Lebanon would show disdain for our long-standing commitment to Lebanon's territorial integrity and independence.

If a more representative government is formed, it should be possible for the United States to support that government and enhance its independence... I look forward to working with Lebanese-Americans to help make Lebanon's dream of new era of peace, prosperity, and democracy a reality.

Mr. President, nothing has changed since 1992. I hear it constantly from the entire Lebanese American Leadership: "Nothing has changed! Nothing has changed!" In fact, the situation is worse as Lebanon faces the upcoming election. Added to the deepening shadow of the Syrian occupation, the average Lebanese citizen is now having to face economic blackmail.

You will recall that for the past year I personally have been asking your administration to ensure free election in Lebanon. I have conveyed the willingness of those who boycotted the last election to participate in a "semi" free and fair election. Unfortunately the only answer we got back was from Ambassador Jones pressuring the Lebanese people to participate in the election "as is" and saying that "Little Democracy is better than none". Then when I tried to point out the flaws in the electoral law to officials in the State Department, I received the incredible reply that this was done to ensure that Mr. Jumblatt (a pro-Syrian militia leader) would be elected!!

3250 W. Big Beaver Rd.
Suite 120
Troy, Michigan 48064
Tel. (810) 649-3003
Fax (810) 649-2645

Mr. President, even though every one I spoke to at the state department and at the NSC was in complete agreement with me on the issues, we were not even able to get them to issue a statement that calls on the Lebanese government to hold "free and fair" elections in the presence of international observers. Instead, we were counselled, time after time, to urge the Lebanese to participate in an election the result of which the Syrian government had already decreed. It is certainly regrettable to hear some of our officials at the State Department and NSC cheerfully say that a "smaller percentage" of the Lebanese will boycott the elections this time than in 1992 (87% boycotted). I regret to say that what they tout as an accomplishment, I see as a blatant mistake that will strengthen the Syrian hold on Lebanon and further suffocate its democracy.

I have been privileged to attend every peace signing from the famous hand shake on the White House lawn to Aqaba and back to the Gallery. You could not have been clearer about your goals to come to the aid of every nation that wants peace. Has not the time come to act? Is there not a crying need right now to do the right thing for Lebanon? And if doing the right thing is going to affect Mr. Assad adversely, than so be it. At long last it is time for "Lebanon first." time to shake it loose from all foreign domination, whether Syrian or Israeli or Iranian or any other foreign entity; time to allow Lebanon once again to breathe the air of freedom. You have the power to help Lebanon, Mr. President. I plead with you to use that power.

Sincerely yours,

A handwritten signature in cursive script that reads "Tony Haddad". The signature is written in dark ink and is positioned above the printed name.

Tony Haddad

The Washington Times

September 30, 1992

Page A11

American Lebanese Committee For Bill Clinton Would Like To Share The Following Message With Fellow Americans:

Senator Gore and I extend to you our warmest greetings,

Lebanese-Americans have played a great role in the history of the United States, with major achievements in medicine, business, law, government and the arts. All Americans have watched with sadness the tragic war in Lebanon and now join together in a renewed hope that peace will soon return to that troubled land. As the Lebanese work to rebuild their country and reinvigorate Lebanon's democratic traditions, their determination resonates in the hearts of Americans. For we have not forgotten our own war of the past century and the effort it took to rebuild our nation.

As we address the issues in this campaign, Senator Gore and I are closely following Lebanon's struggle to establish democracy. The recent parliamentary elections in Lebanon cannot be considered free and fair. No international observers were allowed, and virtually the entire election system was flawed. There are some 40,000 Syrian troops occupying Lebanon. The resulting boycott by large parts of the Christian community has further rendered the election results unrepresentative. Obviously, the withdrawal of Syrian troops is essential to Lebanon's regaining its independence.

The Bush Administration appears willing to sacrifice the prospects for an independent Lebanon in order to curry favor with Syria's dictator, Hafez Assad. To acquiesce now to Syria's control over Lebanon would show disdain for our long-standing commitment to Lebanon's territorial integrity and independence.

If a more representative government is formed, it should be possible for the United States to support that government and enhance its independence through such steps as restoration of consular services and an Agency for International Development mission, and provision of targeted economic development assistance. I look forward to working with Lebanese-Americans to help make Lebanon's dream of a new era of peace, prosperity, and democracy a reality.

Our campaign has stressed the importance of every American. We feel kinship with a Lebanese-American community that has always maintained a traditional respect for the institutions of community and family -- keystones of the American experience -- and that has always placed a premium on educating the next generation in order to ensure a bright future. The commitment to education that Americans and Lebanese share is enshrined in the halls of the American University of Beirut.

This election is very important to all Americans. It is our time to renew our hope for the future of this nation, our faith in the American people and our vision for the kind of nation we can build together. For twelve years now, the Republicans in Washington have failed this nation. Good jobs have disappeared. Our health care system is out of control. Schools have declined. Our streets and neighborhoods are more dangerous. And Republicans have done nothing. Al Gore and I have a bold new plan to fight for what Americans deserve: good jobs, quality health care, world-class education and safe neighborhoods. Middle class Americans will finally have a President again who is on their side. Our plan is called "Putting People First." And, it starts with the values that built America for all of us -- providing opportunity, rewarding hard work, taking responsibility, and investing in people.

Our plan creates thousands of new jobs by supporting small business and encouraging private investment in America. Our plan seeks to reward people who work hard and play by the rules, by reforming welfare as we know it. Our plan makes it easier for people to own homes. Our plan includes a strong anti-crime approach based around support for expanded community-based law enforcement. Our plan controls health care costs that are currently crippling our economy and leaving 35 million people without health insurance. Perhaps most important of all, Al Gore and I will make education a top priority, replacing rhetoric with results. We have a plan that would allow any American to borrow money for college, in exchange for service to the community. We know that education of the next generation is one of the most important aims of government. Our young people must be prepared to compete in the global marketplace. We have a real plan for all Americans.

Through your dedication to the principles of constitutional democracy and your faith in America's future, you have made the Lebanese-American community a vital force in our society and an inspiration to all Americans.

Sincerely,



Bill Clinton



This message is paid for by American-Lebanese Committee for Bill Clinton
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